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East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

No. 2227



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INTERNATIONAL AFFAIRS

BRIEFS

YUGOSLAV EQUIPMENT FOR BULGARIA--The "Iskra" work organization for automation in Ljubljana has concluded an agreement with the Bulgarian state railroads to deliver \$20 million worth of electronic equipment to modernize the Bulgarian railroads. The significance of this contract lies in the fact that "Iskra" won it in very strong competition with the best-known world producers of telecommunications systems. In addition to delivering the equipment, "Iskra" has also sold to the Bulgarian railroads the licences to produce it. On the basis of this, "Iskra-automatika," together with its Bulgarian partner, will operate also on other markets, especially in the CEMA countries and in the developing countries. Last year "Iskra" exported \$14 million worth of goods to the convertible-currency market, while this year it plans to export \$24 million to this market. [Text] [Belgrade BORBA in Serbo-Croatian 15 Jan 82 p 14]

YUGOSLAV-BULGARIAN TRADE--In the 1976-80 period Yugoslav-Bulgarian trade amounted to \$1.1 billion, compared to \$1.3 billion planned. In 1981 the plan called for \$530 million; for the 11-month period about \$300 million worth of goods, or about 57 percent of the plan, was traded. In analyzing the reasons for the approximately \$42 million Yugoslav deficit, it was said that 68 percent of the [Yugoslav] raw material import plan was met, 10 percent of the machine and equipment import plan, and 71 percent of the agricultural products import plan, while in regard to [Yugoslav] exports, the plan for raw materials was 58 percent achieved, that for machines and equipment 23 percent, and that for consumer goods 11 percent. By the end of the year the trade value is expected to be between \$330 million and \$340 million. Proposed trade for 1982 will be discussed at a 18 January 1982 meeting in Sofia; the Yugoslav delegation will be led by Alija Basic, assistant federal secretary for foreign trade. [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 30 Dec 81 p 12]

CSO: 2800

PLANS FOR DEVELOPMENT OF ENERGY RESOURCES IN NEW FIVE-YEAR PLAN

Tirana RRUGA E PARTISE in Albanian Sep 81 pp 5-14

[Article by Prokop Murra: "Before the 8th Congress of the Party and the Fortieth Anniversary of the Foundation of the Party--In the 7th Five-Year Plan the Energy Industry Will Get Priority"]

[Text] The deepening of the socialist industrialization and the development and strengthening of the branches of all our economy and culture in all the 5-year plans, have continuously presented us with new and growing demands for energy resources in general and for petroleum and its by-products: gas, coal, and electrical energy, in particular. Therefore, our party by implementing, in a creative and consistent manner, the teachings of Marxism-Leninism for the socialist industrialization of the country has always given priority to the development of energy resources.

The 6th Five-Year Plan brought to a close a glorious period for our party and our people. It demonstrated the great strength and vitality of our socialist order and the unity of the people around the party, which confronted successfully the harsh imperialist and bourgeois-revisionist pressures and blockades, including those of the Chinese as well. This 5-year plan laid down powerful bases for developing further, at satisfactory rates, the industry of the country, in depth and scope, especially that of the heavy industry and, within it, the energy industry. The energy industry scored high levels of development in all its branches and became even more active; it fulfilled all the growing needs of the country and became one of the important sources responsible for the increase in exports. During 1980, as compared to 1975, the overall industrial production for the energy sector grew by 46 percent, with a yearly average growth of 7.9 percent.

As always, during the 6th Five-Year Plan, the party gave priority to the geological sector, which has been the forerunner and has always opened new perspectives in everything, as well as in the field of energy. This is how new petroleum sources were discovered, while, at the same time, maintaining good relations in petroleum research at known sources and in sandy and limestone sources for petroleum and gas while increasing the qualitative side of studies and complex geological and geophysical work. Important successes in the discovery of new petroleum and gas fields increased the industrial reserves of petroleum and gas.

The fact that, during the 6th Five-Year period, the entire amount of extracted petroleum was processed on the spot demonstrates the material and technical

capabilities which we possess to implement the party guidelines to process domestically, as quickly as possible, all the raw materials in our country. The deep processing of petroleum which was implemented, on a large scale, in Ballsh increased the quantity of fuels produced and improved production structure and quality. Presently, the processing of petroleum by-products in our plants compares favorably with international levels of processing.

Important success has also been achieved in the development of the coal industry. In 1980, as compared to 1975, coal production grew by 63 percent. In the efforts made to realize the duties for the extraction of coal, special care was given to increasing, in quantity and in quality, ore extraction work, with the intent of giving priority to this industry and to its development in general.

Within the frame of the development of the energy industry, the party has given special attention to the development of electrical energy by building hydroelectric and thermoelectric power plants. Thus, in the course of the 6th Five-Year Plan, splendid energy facilities were put in use, such as the "Light of the Party" hydroelectric power plan in Fierze, the 60-megawatt thermoelectric power plant in Fier, and so on. The utilization of these facilities not only raised production capabilities but, also, doubled electric power production in 1980 as compared to 1975. It also improved production efficiency.

Today, our country is one of the few nations in the world with a positive energy balance. Not only does it fulfill its own ever-growing needs, but it even exports the surpluses. This is a very meaningful indicator which speaks for the magnificent, correct, developed, and consistent policy of our party to develop the energy industry. The correctness and greatness of this policy emerges when we see how the capitalist, bourgeois revisionist world is plunged into a deep energy crisis, which has presented them with a series of acute and complicated problems which cannot be solved within the framework of the capitalist economic system, because the roots of this crisis, which have grown old with worry, and the financial crisis which continues to develop within the economic and social capitalist system, are not derived from a lack of reserves in energy resources but from the true nature of the rotten capitalist, bourgeois-revisionist system, and the inability of this order to solve the great problems of the times, and because of the global strategy both superpowers pursue for hegemony and exploitation.

It is a fact that our country has large reserves of petroleum, coal, and hydroelectric power, which are the largest and most advantageous areas of our economy. The party, while implementing correct Marxist-Leninist policy, has increased and constantly strengthened energy resources; and all the capabilities exist to develop them further in the future. Our economy has been and continues to be stimulated in this way and the negative influences on our country of the world energy crisis have been minimized.

Naturally, this healthy situation in the field of energy was not achieved easily. On the contrary, a long, harsh, many-sided struggle was needed against internal and external enemies, who, for the purposes of sabotage, theorized and attempted in all kinds of ways to "argue" that supposedly our country lacks energy resources, that supposedly the extraction of petroleum here is not profitable, and so on. The experience of our development has proved the opposite. Our country

today is rich in petroleum and, because of the large investments that have been made and continue to be made, this branch of our economy appears profitable, and it has become the powerful support for the development of the other branches of our economy.

Using our own specialists, with our own resources and our own technological and scientific capabilities, the study, design, and construction of powerful hydroelectric power plants have begun. From studies that have been made, it has become evident that the average theoretical potential of hydroelectric power in all our country is several times greater than that of the calculations and studies made by foreign specialists, who, with forethought, strove to create the conviction that our country had no future in this area. This extensive, continuing, hostile, and anti-Albanian activity included the Chinese revisionists, who tried to sabotage, among other things, the construction of hydroelectric power plants over the Drin river.

The fact is that the plans of our enemies failed thanks to the continuing principled resistance of our party, who daringly denounced these baseless pretenses. In order to have a general idea of the great hydroelectric capabilities in our country, it is enough to mention that, up to the present, only 20 percent of these capabilities have been exploited. Therefore, the work for their complete exploitation to fulfill the needs of the country, as well as export needs, will continue for several more decades. Meanwhile, owing to the correct policy of our party, in the future, capabilities will be created to discover and exploit new sources of energy.

The party's policy for the socialist industrialization of the country has been guided and is guided by the Marxist-Leninist principle that energy plays a leading role in technological progress, in the development of industry, and in the development of all sectors of the economy in general. In order to develop heavy industry during the 7th Five-Year Plan, priority will be given to the development of the energy industry. The draft directives of the 8th Congress of the Albanian Workers Party (AWP) for the 7th Five-Year Plan, and for all the branches of the country's economy and culture, correctly reflect the important guidelines, regulations, and basic principles for the development of energy during this 5-year period. The principal ingredient necessary for the development of the energy industry in the 7th Five-Year Plan is to increase its intensive development, which relies fully on the effective utilization of the existing production capabilities of wells which are already in use, as well as exploiting new facilities and sources of energy. Although this is the first 5-year period in which we rely completely on our own forces, the rate of growth and the development of the economy in general, and that of the energy group in particular, is greater than in the previous 5-year period. Thus, in 1985, as compared to 1980, the total industrial production of the energy systems is scheduled to increase by 37.9 percent. Almost half of the industrial growth will be ensured from an increase in work efficiency and from reconstruction work.

The achievement of tasks set by the draft directives for the extraction of petroleum is based completely on the sources which are being utilized now and on those that have been discovered and are in the process of being assimilated. The increases in the production of coal are based completely on the better

utilization of existing mines, as well as on the exploitation of new mines such as the mines in Priske, Podgozhan, and Homezh. Likewise, the fulfillment of the tasks in the production of electrical energy will be based on the complete utilization of the production capacities of existing hydroelectric and thermoelectric power plants, as well as the establishment of new energy facilities, especially the Koman hydroelectric power plant. The first turbine of this plant will be finished and will start producting sometime in 1985.

The production capacities and the technical-material bases of the energy branches in our industry have been strengthened to such a level that they can fully guarantee the realization of the important duties laid down by the 7th Five-Year Plan. With the experience we have gained, the technical-material base that we possess, and the increase in the number of trained specialists, all the capabilities exist to shoulder and accomplish greater and more difficult tasks than those we have resolved so far. However, those factual capabilities, which reflect the development of the production forces in our country, must be used rationally and in accord with all the economic development of the country. The draft directives of the 8th Congress of the Party for the development of industry as a whole and the energy industry in particular, present us with the need to solve a series of acute and important economic, political, and organizational problems. The complete utilization of the existing production capacities demands further improvements in technical and technological controls and in the parameters of their utilization, which will increase the economic effectiveness of the petroleum sources, the coal mines, as well as the production capacity of hydroelectric and thermoelectric power plants. However, the achievement of these tasks presents for our cadres, specialists, and the rest of the workers in the energy industry the need to become very familiar with the principal problems and, on this basis, to think about them, consider, and resolve them.

The present stage of our development and the fulfillment of the tasks facing us demands that scientific studies and research be transformed in their application so that they will penetrate and anticipate every task, thus helping to resolve the present problems and those of the future.

The experience of our socialist construction shows that our economy has been developed and will continue to be developed by correctly blending the path of extensive development with the path of intensive development. In this 5-year period we shall progress by correctly harmonizing these two paths, at the same time, giving priority to the factors of intensive development, which require the powerful support of scientific and advanced technological data. Thus, the extraction of petroleum and gas using resources currently being exploited is truly a path of intensive development. However, the very rational use of these sources requires that we rely strongly on scientific data, because this form of exploitation has its own rules and requires the strict implementation of scientific discipline. The technique of working in layers, such as secondary workings, as well as intensified workings, have had an influence on raising the petroleum extraction coefficient. But, these techniques give the necessary results when they are implemented on the basis of a specified system, which is dictated by the objective demands of the petroleum sources, therefore, the necessity arises for the workers in the petroleum industry, especially for the cadres who are involved in its study, to know these demands and work with concentration and strict scientific discipline to keep these demands in mind.

In the framework of deepening the technological and scientific revolution, the problems of geology become very important. "In order to strengthen the economy further and to guarantee the strongest possible base of raw materials and energy resources for industry--Enver Hoxha teaches us--a special function belongs to geology. It must precede industrial development and open new trails for it." (Enver Hoxha, Report to the 7th Congress of the KWP," p. 43)

It is a fact that our geological cadres have moved forward; they have elevated scientific research work to a higher level and have made it a reality, discovering new resources of petroleum and gas, coal and other useful minerals. Cadres and specialists have raised geological studies to a higher level and kept in mind, at the same time, the recommendations of the party that geology is a science with a strict discipline, which demands accuracy at every moment and in every action. This has presented the geological workers, especially those working in petroleum, with the task of strengthening scientific discipline and enriching scientific studies, so they become profound and deliberate and raise the utilization coefficient of the wells.

In geology, one cannot proceed through guesswork or empirical methods. In the area of petroleum geology, therefore, in this 5-year period, great care will be given to qualitative improvement of geological and geophysical workings and to their data in general with the objective of speeding up the discovery of petroleum and gas resources with as little expense as possible.

In the coal mines, during this 5-year period, attention will be concentrated on extracting coal of high quality and calorie content. We are concentrating and will continue to concentrate on exploiting surface and deep mining. However, this brings up the need to carry out accurate and careful studies on the basis of which observations will be made on the mine sites, which will produce proposals to improve work methods, because, in spite of the measures which have been taken, losses and the poor quality of extracted coal are still relatively high. Likewise, in order to guarantee the fulfillment of tasks for the extraction of coal for the entire 5-year period, priority will be given to improving mineral workings in quantity and quality.

During the public discussions of the draft directives, the workers, specialists, and cadres in the coal mines gave valuable ideas on how to improve the work and production indicatros, especially on how to increase the level of mechanization, mainly in the digging and the loading and unloading of coal where actually, a considerable amount of the work is still done manually. So far, the studies for the mechanization of work in the Mushqeta and Memaliaj mines have been completed. The experimentations that have begun for exploiting surface coal mining, especially in the Mezezi mine, will prove effective. Twenty percent of the total amount of coal planned for this mine is extracted by this method. However, to realize successfully, in quantity and quality, the amount of coal planned for extraction by this method, the need arises for the mechanization of certain production processes, a task which will be implemented gradually this year.

During the 7th Five-Year Plan, important investments are expected to be made for the development of the electrical industry, because electric energy is produced and made available to consumers at a lower rate than any other form of energy

and because electric energy is the basis for the continued mechanization and automation of work processes, machinery and equipment which are operated by electric power and have high yields. The increase in electric energy production will be ensured principally from the full utilization of hydroelectric and thermoelectric power plants which use coal. During the first years of this 5-year plan, the "Light of the Party" hydroelectric power plant in Fierz will be put into full capacity. A rational use of lake waters by the hydroelectric power plants will be ensured for the whole year. Work in the Koman hydroelectric power plant will be intensified in order to put one of the turbines in full use sometime in 1985. In this 5-year plan, priority will be given to the production of electricity by hydroelectric power plants, because the cost of energy produced from this source is about 10 times cheaper than that produced by thermoelectric power. However, thermoelectric energy will also increase, especially during periods of drought and peak periods. Meanwhile, organizational and technological methods are being intensified in order to increase the technological preparedness of the electrical network, so as to guarantee uninterrupted power to consumers and especially to large and important consumers.

The draft directives of the 8th Congress of the Party for the 7th Five-Year Plan, together with the task to increase energy sources, laid down important duties for a strict system of thrift in the use of these sources. A wealthy country, Comrade Enver Hoxha emphasized at the 9th Plenum of the Central Committee of the Party, is not only a country that fulfills its own energy needs, but also a country that uses these energy resources under correct criteria: imposing a strict system of thrift based on its consumption and use in all sectors of the economy.

The growth rates of the production and utilization of energy in our country are greater than in many other developed countries. At present, we not only fulfill all our own needs for energy, but we also export petroleum, coal, and electric energy. However, this fact must not, under any circumstances, lead to a diminution of concern for enforcing the system of thrift in the use of energy resources, not only because the socialist order is the most thrifty and does not condone unjustified expenditures, but also because an increase in energy exports, within the economic and financial crisis that has encircled the capitalist, bourgeois-revisionist world, is very advantageous. Within the framework of the measures that are being implemented to enforce a system of thrift in the use of energy resources, attention has been concentrated primarily on replacing liquid fuels with solid fuels and gas. Actually, because of the measures that have been taken, crude oil is no longer used as a fuel in various ovens and boilers. Other liquid fuels, such as tar, residual oil, as well as coke are used only where they have not yet been replaced by coal. Petroleum gas is being used successfully in technological processes in our factories and combines, such as the petroleum deep processing plants, the "Gogo Nushi" ammonium nitrate plant and the "Steel of the Party" metallurgical combine, etc. Along with the complete utilization of the production capacities of thermoelectric power plants which use coal, special importance will be given, in this 5-year plan, to replacing petroleum, tar, and other residual oils with coal in the existing thermoelectric power plants. This is another important measure which will increase the export of petroleum and its by-products.

For this reason, the party has laid down the task that the production of solid fuels should increase at the same rate as the production of liquid energy resources. In the overall balance of energy resources in our country, the proportion of solid fuels, as compared to other fuels, has grown from 8 percent in 1960 to 16 percent in 1980. In the 7th Five-Year Plan, and in the distant future, the proportion of these fuels will grow even more. In addition to increasing the use of solid fuels, as was made apparent in the public discussions of the draft directives, the problem remains to improve the efficiency of coal use by employing new methods which prevent losses and ensure a more effective level of combustion. In this field, certain measures have been taken; but they are only at the experimental stage. It is necessary that they progress further and that more complex studies and experiments be carried out.

Among the measures that are being taken to conserve coal profitably, is the return of the condensate to the boilers; this method would be 20 times cheaper than adding more water to the system. For every ton of returned condensate, 20 to 25 kg of coal with average calorific content are saved. More attention should be given to this problem and to other thermoenergy problems in every work center, concentrating on realizing the technological and economic indicators and on providing the means, the necessary apparatus and skilled people, and so on. It is important that all the technological parameters of the boilers: gas temperature, water discharges, and other matters be brought within the projected indicators. Converting the boilers from a combustion system with a grid to a power combustion system has given good results. The distribution of coal according to the characteristics of the boilers: calorific power and size of coal, lowers the consumption of coal, etc. Whereas the effective way of raising the utilization of steam depends on its distribution to different consumers, and on discarding boilers which have a low production of steam and are difficult and expensive to technically convert into coal-burning systems.

These problems were thrashed out during the discussions of the draft directives for the 7th Five-Year Plan. However, it is still important to establish definite measures and to have them implemented strictly in all their complexities. The proposals made during the public discussions have been recorded and the planning commissions are classifying them on the basis of their importance and usefulness to production, as well as on the basis of the necessity and the practicability of putting them into use. This is a very important phase because on it depends the fate of the proposals which have been made. It is a fact that, in many enterprises, programs have been drafted to implement these proposals by setting deadlines for their completion and deciding what will be carried out by the enterprise itself and what will be done in cooperation with others. Nevertheless, there are still conservative stands, routine, and bureaucratic delays which obstruct the implementation of these proposals.

Conserving electricity is an important means of saving energy. With the dimensions that electricity consumption has now taken, a saving of just 1 percent from the total consumption of electric energy planned for the needs of the country in 1981 would be enough to supply the needs of the districts of Librazhd, Kolonje, and Skrapar for the whole year. If every family in Tirana would save just 10 percent of the total electric energy it spends a year, it would supply enough power to produce 8700 tons of pig-iron in the "Steel of the Party" metallurgical combine.

The possibilities for saving energy are very great, because it is used everywhere and in all areas. However, the area from which large amounts of energy can be saved are the production sectors, especially large consumers, such as the "Steel of the Party" metallurgical combine, the nitrogen fertilizer plant, the Vlore polyvinyl chloride plant, the ferrochrome factory in Burrel, and the petroleum processing plant in Ballsh, which, taken as a group, use around 30 percent of the total energy used in the country. Naturally, the measures to save electric energy cannot rely on guesswork and empirical knowledge. In order to set concrete, monitored tasks in this area, joint studies by the users and producers of energy are needed, as well as measures to establish these savings on a healthy, organizational, and monitoring basis.

Experience has shown that economic effects are felt by the rational use of transformer equipment capacities, with cooperation on their use among the enterprises. There should always be a certain relationship between the installed power and the needs of the consumers. At present, in this area there are reserves that should be properly recognized and used, because, as a consequence of useless work, with insufficient loading of machinery, considerable amounts of energy are lost, especially in enterprises that work with seasonal loads which are not active throughout the year. However, the exploitation of the energy equipment on a co-operative basis among enterprises or the installation of less powerful transformers is not a very easy problem to solve. These problems require careful and well organized studies but, above all, they require a correct understanding of, the proper evaluation and attention to, and care for the rational use of energy.

An important task for the workers in the energy system is to study ways of minimizing losses from internal consumption, which are estimated at several million kilowatt-hours of electric energy. Losses from power lines alone are estimated at 5 to 6 percent of the total electric energy produced. Surely these are not new and unknown problems. Measures have been taken and are being taken to reduce these losses, but until now they have not given the desired results; therefore, these measures are being reexamined and being improved within the framework of the problems that surfaced during the discussions of the draft directives in every work and production center.

The time has come to make serious studies for the exploitation of secondary energy resources, which, at present, are not exploited in industrial projects; these include: chemical heat from burning gasses, the physical heat of gasses and smoke in the atmosphere from the burning of combustible material, and so on.

The problem arises to seriously pursue the rational use of energy in general and the use of electrical energy in particular, based on defined tasks from the time of planning, and especially during the production and distribution of energy. Energy distributors should rely on scientifically based technological norms, maintaining technological norms for the use of energy per unit produced or per unit of time. This is the only way to block all empirical, voluntaristic, and spontaneous expressions in the realization of the very important task of using energy resources sparingly.

The draft directives of the 8th Congress of the Party for the 7th Five-Year Plan have laid down concrete tasks to give priority to the development of the energy

industry with the objective of meeting the ever-rising needs of our economy and our exports.

The working collectives of this industry, under the guidance of the basic party organizations, mobilized to greet with greater and better results the November festivities: the fortieth anniversary of the foundation of the party and the 8th Congress are struggling to realize as successfully as possible the duties of the plan for 1981. In the course of the public discussions of the draft directives of the 8th Congress of the Party for the 7th Five-Year Plan, the workers, specialists, and cadres of the energy industry discovered new capabilities and reserves and made valuable proposals, which will raise the level of guarantees for the realization of all the indicators of the plan, as well as for further increases in production and for improvement in the technological, economic, and financial indicators of this plan. The principal characteristics of the proposals that have been made are that the improvement in the indicators of the production plan and its efficiency rest principally on exploiting internal capabilities and reserves, without additions to the estimates that are made for machinery, equipment, and materials, particularly for those materials that are imported, effectively utilizing the existing material and technical bases and, at the same time, reducing the amounts of materials used, etc. The most important task now remains to program, finalize, and take all the necessary technical and organizational measures to implement these proposals.

6160
CSO: 2100/26

CZECHOSLOVAKIA

BRIEFS

MORE FOREIGN TRAINEES--During the Seventh Five-Year Plan [1981-1985], over 30,000 young persons from Vietnam, Cuba, Mongolia, Algeria and other countries will receive professional training in the CSSR, some attending trade schools and other educational facilities and others working directly at enterprises and industrial plants. About 14,000 are currently being trained in the CSSR. [Prague SVOBODNE SLOVO in Czech 22 Jan 82 p 3]

CSO: 2400/118

CONGRESS EVALUATES WORK OF COOPERATIVES

Budapest NEPSZABADSAG in Hungarian 13 Dec 81 p 3

[Article by Jeno Vancsa: "Our Agriculture's Success Depends Primarily on the Work of the Producer Cooperatives" - Report on the Congress of the Agricultural Cooperatives by Ferenc Gerkuti and Benedek Toth]

[Text] In his opening remarks Jeno Vancsa pointed out that in our country cooperatives have become an important factor in our social and political life and that they also play a determining role in the development of agricultural production. This is also demonstrated by the fact that 73 percent of the capital stock available to large-scale agricultural cooperatives belongs to collective farms. Agricultural cooperatives account for 74 percent of large-scale production and produce 80 percent of the profits.

The cooperative has become the basic form of socialist agriculture; as a form of enterprise it is an equal part of the state enterprises. Today we can even say that, in some respect, our producer cooperatives have developed into worthy competitors; a good many of them have already caught up with our leading state farms. What is more, many producer cooperatives have outperformed even our state farms in yields and development work. For example, 65 of the 73 large-scale farms with grain yields over eight tons per hectare are producer cooperatives, and 3 of the 4 dairy farms with an annual average yield of over 6,000 liters are cooperative operations. Our agricultural cooperatives have also made advances in improving the profitability of their production. According to economic analyses, 42 percent of these farms are producing at a higher level of efficiency, a fine performance even compared to other sectors of the national economy.

This last period in the producer cooperative movement has been characterized by flexibility, quick adaptability and expanded entrepreneurial activities. Thus, our large-scale farms have become a determining factor in the rapid development of household and auxiliary farms. To mention a typical example, this year our large-scale farms have sold 3.5 million tons of fodder and have made several thousand breeding animals available to our small producers; at the same time, they have also helped household farmers and small producers by providing them with 2 billion forints worth of services.

It can be considered favorable, that in the past five years there has been the vigorous increase in the number of cooperations in agricultural production in the

past 5 years can be considered favorable. Today, countrywide, 773 associations are operating in agriculture, of which 500 have been started and managed by producer cooperatives. Today only 18 collective farms do not belong to any associations or production systems; all other farms participate in some form of cooperation.

The minister addressed many of the questions raised at the congress, among them the problem that the purchasing and processing enterprises and plants connected with the producer cooperatives are often in a more advantageous position than the producers, and that they also make this felt. He pointed out that although monopoly situations and occasional defenselessness do require central measures from time to time, these have become less frequent; the constantly newer measures of our agricultural and economic policy have helped to elevate our producers more and more to the level where they can become equals of their partners.

After this, the minister spoke about those producer cooperatives operating under poor and unfavorable natural conditions. He pointed out that these farms operate on 1.5 million hectares and they produce essential parts of our domestic supplies as well as our exports. The performance of cooperatives operating under unfavorable conditions, he went on, must be evaluated differently from the work of those not affected adversely by nature. Recognition must be given not only to the best performances but also to all yield increases achieved in disadvantaged areas, even if these are not quite as spectacular as those attained on good soils.

Speaking about the situation of our agriculture and about this year's results, the minister pointed out that production has fallen short of the planned target, although it exceeded last year's otherwise high levels. The main reason for this lag is that our average crop yields have been lower and there has also been a reduction in the size of arable land. Our other branches, in general, have reached their targets, and a good many have even exceeded the planned levels. Grain production, however, is the most vital. This year's results also indicate that farms behind in grain production have had a difficult time trying to offset their loss of revenues.

This year, overall, our agriculture has ensured a favorable and consistent level of domestic supplies: compared to last year's levels, it has helped to increase our exports of agricultural products and processed foods by 17 percent. All these are considered significant achievements. Farm profits have developed similarly to last year's levels. Among other favorable developments, there have been fewer farms operating at a loss, and the losses have been cut in half.

This year farm investments have also been vigorously increased; the sum expended for development purposes has exceeded the estimated amount by 10 percent, reaching 26 billion forints. The situation of investments earmarked for improving our export-product base has been favorable; we have been able to advance toward realizing our energy-management programs. Our large-scale agricultural enterprises have spent 2 billion forints more on machines than in 1980; they have begun construction of 47 thermal energy projects and have built special storage with a capacity of a half million tons of produce.

By doing all of this, they have laid the foundation for next year's work. Their tasks in 1982 will not be any smaller than this year. Agriculture must increase its contribution to the national income by 4 to 4.5 percent. According to

estimates, our collective farms will increase their production by 5.5 percent. Increasing our grain production will continue to be an important task. There is a good chance that this can be done since today's farm interests coincide with the interests of our national economy, and the system of incentives set up to help farms operating at a disadvantage is expected to boost producer interests. Stock-breeding outputs must be increased by 2 to 3 percent. This is a realistic forecast since, among other things, our large-scale enterprises have excellent fodder at their disposal and their breeding work has also significantly improved.

After this, the minister also talked about the difficulties hampering technical-mechanical supplies. He pointed out that the quality of supplies has improved, since only a few years ago farms were only wasting their time looking for many machines, while this year's machine turnover has been clearly determined by a buyer's market. However, there have been frequent shortages of basic parts and machine equipment necessary for production; this was also rightly mentioned by speakers at the current congress. He called on the large-scale agricultural farms --either by cooperation or in some other manner--to become involved in parts supply and thus help solve our common problems.

In conclusion, the minister asked the participants of the congress to do everything in their power to help fulfill next year's plans, for society continues to count on their industrious efforts. Only this way will it be possible to ensure a consistent supply of foodstuffs to the population, and only this will enable the food industry to carry out its expanded export plans.

Debate on the Report Continues

Also among the speakers was Andras Gabor, deputy minister of industry. He stressed that Hungarian agricultural machine production can only fulfill part of the domestic demand. Very important, he point out, are those foreign cooperation-relationships that enable us to bring in highly technical agricultural machines.

In general, the criticisms concerning parts supply were well founded. Greater attention should be paid, however, to the way parts are utilized; preventive maintenance and repairs should be better organized. Of course, industry should produce better machines. Industry will try to meet the needs of farm production. Efforts will also be made by industry to use domestic production to ensure the availability of spare parts for agricultural machines from the socialist countries.

Andras Juhasz, secretary of the league, welcomed the congress in the name of the Central Committee of the KISZ. He reminded his listeners, that the time when the number of agricultural workers was so dangerously dropping and when young people were virtually running away from the villages is still not that distant. This process has slowed, and we have even seen the beginnings of a reflux. Today more and more young people are seeking and finding their future in agriculture, in the producer cooperatives. One-third of our cooperatives' work force is made up of young people, but because of their training their importance is even greater. It is very important to create working and living conditions that will enable the cooperatives to retain these young people.

Only 5 years ago hardly 50 percent of our producer cooperatives had KISZ organizations of their own; today, however, KISZ basic organizations operate in more than

80 percent of our cooperatives. The deputy minister stressed that, using the training and skills of young cooperative members and experts, the KISZ wants to play an active role in speeding technological and technical development and in improving the efficiency of management. Some of the other goals and ideas of the KISZ include helping to provide expert assistance to our less profitable cooperatives.

New Requirements

The participants in the debate talked about the achievements and problems of production and management. Among other things, they pointed out that the majority of our producer cooperatives and state enterprises are well-organized large-scale producing large volumes of goods. In his remarks, Gabor Magyar, director of the KITE [Corn and Industrial Crop-Growing Cooperation] production system, told his listeners: that the 371 partner farms of their production system have committed 640,000 hectares to the production organization and development of field crops. They have introduced cultivating machines in the machinery system of their grain production program, which have enabled them to use energy-, time-, and money-saving, soil-moisture preserving cultivation procedures that have been known in our country but, due to a lack of necessary means, had never been put into effect.

A new feature of their activity is that they have also begun to take part in the marketing of products. This year KITE-member farms have produced and have assisted in marketing 1.3 million forints worth of sunflowers.

Lehel Keri, chairman of the Egyetertes Producer Cooperative of Rajka, reported on the production results of Györ-Sopron Megye's agricultural cooperatives. The megye's contribution to the country's food supplies and foodstuff-exports has been considerably greater than its territorial proportions would require. She acknowledged that given the megye's production potentials this was only natural. But, she said, they also recognized the importance of expertise, industrious work and high-quality management and guidance in using those favorable potentials. The speaker expressed her hope that in the coming years they would be able to continue improving today's results. "The peasantry of our megye greatly appreciates and values the comfortable political atmosphere in which it is able to work," she pointed out. She also called attention to some of the deficiencies in contractual relationships. She considers it unfair that a good number of purchasing enterprises have been allowed to receive undeserved advantages at the expense of agricultural farms.

The Ferenc Erdei Producer Cooperative of Harta operates on more than 5,000 hectares. To see how well, let us consider the following. At the end of last year, it had posted a 65 million forint profit. The chairman of the cooperative, Lajos Hegedus, did point out, however, that even though the farm has been operating three times as efficiently as the average large-scale farm, the per capita income in the cooperative has been only 13 percent higher than in other farms. We still have not been able to ensure a higher income for those who produce more and more efficiently.

Zoltan Major, mechanic and member of the Sandor Latinka socialist brigade of the Kasosmero Producer Cooperative, spoke about the situation and the accomplishments of the cooperative socialist brigade movement. He pointed out that the socialist brigades are an integral part of the cooperative collectives. They enjoy great respect among the workers; management also takes into account and counts on the

strength of the socialist brigade movement. There are indications, however, that the brigades' efforts are often called upon to compensate for managerial negligence and even disorganization.

Sandor Csipke, chairman of the producer cooperative of Kecel, spoke about the role, place and achievements of specialized cooperatives. He told his listeners that the specialized cooperatives are literally large-scale enterprises. Today the specialized cooperative has almost a half billion forints in collective property, its vineyards and wineries are modern, and it also has stock-breeding colonies, grain desiccators and feed mixers. Using the specialized cooperative format on poor quality soil, the cooperative has provided society with the best possible results.

Prospects for the Wak

Antal Csoma, chairman of the Viharsarok Fisheries Producer Cooperative of Gyoma, reported on the situation and the problems of fish breeding. He examined the possibilities of making more vigorous improvements in fish production, arguing that this would significantly enhance domestic supplies as well as exports.

Ferenc Horwath, party secretary of the Haladas Producer Cooperative, spoke about the improving living conditions of cooperative members and about the succession of generations. He pointed out that the people who are replacing departing members, going into well-deserved retirement, will have an impact on the quality of work and the course of cooperative development for many years. Everything possible must be done to convince the talented children of today's cooperative members to stay in the producer cooperatives or to return to them well-prepared.

The congress paid careful attention to the situation of the weak and disadvantaged producer cooperatives. The speakers endorsed the new central measures designed to enhance and stabilize the production of low-income producer cooperatives. At the same time, they stressed the importance of local efforts and the tasks of cooperative management.

Zala Megye has several disadvantaged and weak producer cooperatives. Jozsef Tothe, head bookkeeper of the producer cooperative of Szemerecsornye, reported on their problems. As far as the main indicators are concerned, she explained, these producer cooperatives neared the national average, but they are still far behind in their personal income levels, and their development possibilities have continued to worsen.

Production in the megye is done on brown, wooded-ridge, low humus-content eroded soils with strong acid-reaction levels, which most of the artificial fertilizers in use have only worsened. This can be offset by liming, which could result in additional yields of as high as 20 to 30 percent. The speaker urged continued special support to soil improvement and to all other solutions to help improve the direct conditions of production.

Csaba Hutter, chairman of the producer cooperative of Szecseny, spoke about the problems of the disadvantaged areas of Nograd. According to its calculations, on the megye's poor-quality, inclining soils it costs 42 percent more to produce as

much wheat and 39 percent more to grow as much mustard as under more favorable conditions. He emphasized that in farms operating at a disadvantage it is especially important to improve internal and direct monetary interests.

The delegates listened with great interest to Bela Dora, chairman of the producer cooperative of Ocsa, on the assistance it provided to seven high-problem and low-profit producer cooperatives. At the beginning of last year, in response to a call by MEM [Ministry of Agriculture and Food Industry] and TOT [National Council of Producer Cooperatives], the producer cooperative of Ocsa had decided to establish cooperation, to form economic associations with a few Pest and Nograd megye produce cooperatives. Under the terms of cooperation, the producer cooperative of Ocsa has transferred several factory units to these associations and has made available to them some 2,400 of its cooperative members, most of them skilled workers. This was followed by a transfer of a well-tested managerial staff and by deliveries of needed capital equipment. In joining these associations, the producer cooperative of Ocsa has paid 55 million forints in financial deposits, while the associated cooperatives have contributed 25 million forints.

Of the nearly 112-million-forint profit expected for this year as a result of joint efforts, 70 million forints will foreseeably stay in the low-income farms. The chairman of the producer cooperative of Ocsa stated that it would mean much for the entire cooperative movement if countrywide at least 50 or 60 strong producer cooperatives would each establish similar cooperative arrangements with 2 or 3 indigent cooperatives.

Many of the speakers spoke about the role and the activities of household and auxiliary farms and about their many-sided tie with the large-scale farms. Several people stressed the importance of ensuring the healthy development of auxiliary activities. They praised the corporate work of the TOT and other producer-cooperative associations, although this activity should be expanded.

With Renewed Effort

It was acknowledged during the debate that the success of cooperative democracy in recent years has given members and employees increasingly better opportunities to make suggestions and expedite changes in the internal life of the cooperatives. The members, however, will only appreciate these forums of cooperative democracy if they are allowed to exercise their decision-making powers properly.

The congressional debate was summarized by Istvan Szabo, president of the TOT. He told his listeners that the congress had been a significant contribution in helping to ensure continued consistent improvements in production. The producer cooperatives must make maximum use of the means at their disposal and take advantage of their local opportunities. They must, however, take care to concentrate not only on short-term developments but also on long-term projects, thus helping to lay the foundations for development programs.

The continued preservation of the position that Hungarian agriculture has attained in the course of intensifying international competition, is in the common interest of the producers and everyone working in close cooperation toward improving agricultural production. The producer-cooperative movement owes its strength also to the fact that with consistent work it has been able to correct its earlier weaknesses. This same course must be followed in our efforts to improve our performance, tighten the order and discipline of farm life and help stimulate and revive our enterprising spirit.

PROFILE CHANGES IN STATE FARMS NOTED

Budapest FIGYELO in Hungarian 28 Oct 81 p 13

[Report by Dr. Miklos Mentenyi: "An Old Role with New Characteristics"]

[Text] Our agricultural policy, which leads, through the implementation of socialist conditions, to an ongoing development of production, management, technology and society, is based on the economic policy reformed after 1956.

The management and supervisory system of the 1950's, which was designed then for the state enterprises, did not differentiate between the branches of the national economy. One consequence of this was a larger difference, within farming, between the regulatory systems of state farms and cooperatives, than between state farms and the machine industry or metallurgy. Thus while the state farms were helping the new cooperatives primarily by sharing their experiences in technology, production and management, they also wanted to approach or even adopt the cooperatives' regulatory system, which was not perfect but better adapted to the characteristics of farming.

Production Increase Is the Leader

From 1966 to 1968 when the new period began, on the basis of the agricultural regulatory system's new principles and methods, the large farming enterprises became financially independent and the regulatory system for both large industrial sectors was designed.

The fact that the two sectors' regulatory system became essentially identical, does not make our present regulatory system perfect.

Total gross production in the state farms has doubled between 1970 and 1980. Strictly agricultural production increased by 151 percent, all basic activities by 185.4 percent, and all other activities by 307 percent. Even these large-scale changes are only partial results. There was no significant change in efficiency.

The 10-year increase in agricultural net production was 4 percent higher than in gross production and 5 percent higher than in producers' use. The fact that industrial use decreased slowly but steadily since 1976 indicates a modest increase in efficiency. Asset-intensiveness also decreased, for while in the Third Five-Year Plan the increase in assets (155 percent) surpassed the pace of production increase

(143 percent), the situation changed in the Fourth Five-Year Plan: the pace of production increase (164 percent) surpassed the pace of increase in assets by 14 percent. Finally, in the Fifth Five-Year Plan, the pace of production increase was almost 40 percent more than of asset increase.

Can the Structure Be Changed?

The executives of large enterprises are dealing now with the question of what international competitiveness is and what its standards should be.

No one knows exactly which products would be competitive. We cannot answer the question either (in part because of producers' subsidies in highly developed agricultural countries that are much higher than ours) why Hungarian farming is not competitive enough on the world market. In relation to this, there are debates on the use of a competitive price system in agriculture.

Until our international competitiveness, the use of world market prices, and the degree of worldwide farming subsidies are defined, a significant change in the production structure is unjustified.

The production structure of the state farms is different from the national structure as well as from the production structure of the cooperative farms.

Half of the state farms are specialized in animal husbandry; the livestock in certain farms are so numerous (and tie down so many assets) that it is simply impossible to change that or the production structure significantly.

Large croplands, on the other hand, are supported by the food industry, for example, and thus their ratio must be maintained. For this reason, the state farms and large enterprises must make livestock and crops competitive and economical.

Possibilities for Enterprise

Since it is not feasible to change significantly the agricultural production structure of the state farms, they are rather increasing the areas of their activity. While in 1970 their supplementary industrial activity constituted only 18 percent (as opposed to 24 percent in the cooperatives), this activity constituted 28 percent in both sectors in 1980. In the state farms, 50 percent of this activity involves the food industry, but most of the other industrial activities are also connected with farm production and help in the acquisition of machines and industrial assets for farming (building stall structures, manufacturing farm machines and spare parts).

In connection with the production structure, the national economic goal is wellknown; namely, that agriculture should produce everything needed for fully meeting domestic demand and for increasing profitable exports. However, with the existing technology, the given characteristics of species and the shortage of adequate assets and labor, certain product can be hardly (or not at all) produced economically in the large enterprises. In addition, the state farms do not receive any more production guidelines from the state organs.

On the other hand, the large enterprise's possibilities for a more flexible management and maneuvering have been extended even by statutes. These cover the

use of employees beyond the working hours, the extension of subcontracting cultivation (not only of fields but also of vineyards and orchards). State farms can directly establish special groups and small subsidiary companies. They may also lease unused lands and buildings.

In addition to state farms, 87 special groups were operating with 8,000 members--including General Consumer and Marketing Cooperatives. Within the framework of these relations with small producers, the state farms produced last year almost a quarter million hogs and 8 million rabbits.

Watching the Market

The improvement of international competitiveness requires, among other things, that large farming enterprises approach foreign trade activities and have a better sense of the effects of the international market. To date, organizations (associations, bureaus) for exporting seed-grain, wine, soft drinks, fish, reed, sheep and winter apples have been established, in which decisions are made not entirely by the director of the foreign trade enterprise but by a directorate and in which the large enterprises are also represented. We are still far from the point where all large enterprises feel directly the effects of the international market, but these new possibilities, also fixed in statutes, must be exploited.

About 30 state farms have a direct interest in pricing in the kind of foreign currency in which export contracts are being made, in pricing insurance, and in whether 16 or 17 tons can be loaded into a truck; the price in foreign currency at the border goes to the producing farm, and the costs up to the border are deducted from this price, etc.

New methods must be used even in factory and labor management. The average area of a state farm is 7,500 hectares; thus it is the most concentrated sector of agriculture. Large farms can flexibly adapt themselves only if they are built on well-designed self-accounting units with autonomous plans, management, rights and responsibilities and--most important--profits and the resulting interests.

The development of internal interest and good wages is a special problem. The wage system, borrowed from industry, must be updated; this system has proliferated not only in state farms but also in many cooperatives. This wage system cannot follow the long production period of farm products.

The state farms have a modern concept of concentration and specialization. The study by the College of Economics could not show any unequivocal connection between the size and the efficiency of the various groups of state farms, although the rapid process of concentration between 1970 and 1980 was accompanied by a more efficient production and a better use of production resources.

For this reason, the task is not a further centralization of state farm areas but a better use of the existing possibilities, land areas, labor and assets.

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OFFICIALS DEBATE STATUS OF CHEMICAL INDUSTRY

Budapest FIGYELM in Hungarian 28 Oct 81, p 15

[Letters to the Editor]

[Text] Identical Data--Various Conclusions on the Chemical Industry and Chemicalization

Although chemicalization is closely connected to the chemical industry, the two cannot be combined in statistics, for they are different concepts. "Chemicalization" means the qualitative and quantitative supply of chemical products and processes for the national economy, no matter whether they have been developed domestically or are being imported. Chemicalization is an objective process accompanying economic development; it is not a function of some kind of numerical index of economic development--e.g., of per capita national revenues--but is a function of the entire world's given level of chemicalization and the capacity and availability of materials, processes and equipment needed for chemicalization.

The development of the chemical industry is not, of course, independent of chemicalization, for a lag in the latter would cause increasing burdens on foreign exchange. Had we not spent 120 billion forints in the last 20 years on the development of the chemical industry, we would have to import now, mostly from capitalist countries, 80 billion forints more chemical products.

The development of the chemical industry is a question of resolution, in the course of which limitations of industrial development must also be reckoned with, such as available financial resources, the domestic application of technology, the accompanying steady imports from various agreements (arising from the country's lack of raw materials) and the existing requirements of marketing and economic production.

In a country like Hungary, lacking in raw materials and oriented toward exports in its most developed branches of production, the chemical industry can be developed only in relation to the world's development; i.e., through specialization and cooperation. This is what we did in developing the chemical industry, cooperating mostly with socialist countries but also with capitalist enterprises.

Consequently, our foreign trade balance is burdened, under the heading of chemical products, not only by imports of raw materials needed for chemical production but also by supplementary imports that cannot be substituted by domestic production and

end up directly in other branches of the national economy. On the other hand, our exports of chemical products improve this balance (but not the exports of chemical products built into products of other industries,--e.g., synthetic fabrics, paints for the machine industry, etc.).

As a result of all this, it is impossible to assess the efficiency of the development of the chemical industry only through the absolute growth of foreign trade balance in chemical products, for efficiency is a much more complex concept. It must include, for example, profitability, the cost of foreign exchange and the efficiency of live labor. In the total output of the chemical industry in 1980, the value added domestically was about 40 percent.

The writer of the article made an unfounded statement; namely, that, in the course of the price explosion during the 1979's, the greatest losses in the terms of trade occurred in the class of chemical products. We do not have such data, but the export prices of aromatic hydrocarbons and olefines, for example, increased significantly, while the prices of raw materials affecting our imports (e.g., rock salt, raw phosphate) increased much less.

	1980 billion Ft	Percent	In percent of 1930/1960
National economy's need for chemical products (domestic consumption, exports plus raw materials and supplementary imports)	187.6	100	716
Domestic consumption	107.2	57	850
Domestic use of raw materials and supplementary imports	50.6	27	540
National economy's use of exports	29.8	16	710
Social products	137.0	--	815
Total domestic use	157.8	--	717

It is apparent from our table, which is consistent with Istvan Garamvolgyi's data, that in 20 years the national economy's need for chemical products, the exports and the total domestic use increased at about the same pace (7.1 to 7.2 times). The chemical industry's social product value increased faster (8.1 times); the fastest growth was in the value of domestic use (8.5 times); the slowest was in the domestic use of raw materials and supplementary imports (5.4 times). In 1960, the volume of exports was 44 percent of the volume of imports, which increased to 59 percent in 1980 due to a faster increase of exports.

While the imports of materials used in 1960 for 16.8 billion forints worth of social products, plus the imports supplementing the shortages, represented 56 percent of total production, in 1980 (and in a value that is eight times higher) the total imports constitute only 36 percent of total production.

In spite of the contradictions in the details (which were the results of the new era in world economics, although we made mistakes as well), the analysis of the

development of the last 20 years will show positive tendencies even for the objective analyst; one reason why this is necessary is that we would fall into the sin of "benevolent laziness" if, as a result of misjudgment, we failed to carry out the domestic chemical development needed even under the new economic conditions.

Dr. Gyorgy Somlo and Gabor Kovats
Chemical Industry Design Bureau

Views That Can Be Criticized

In my comment, I want first to correct the writer's false views and then I want to complete the picture of the chemical industry's development through qualitative relationships omitted by the writer.

Istvan Garamvolgyi says that while about 75 percent of the materials directly used by the industry come from domestic production, more than half of the materials used directly by the chemical industry comes from imports. This is an interesting approach; it might even be true, but it has no practical significance. For example, the price revenues of the chemical industries of industrially developed capitalist countries were \$470 billion in 1980; half of this, \$235 billion, was generated in Western Europe. He who knows Western Europe's own possibilities for producing natural gas, crude oil, sulphur, crude sulphur, etc., can say with responsibility that the world's largest chemical industrial aggregate depends significantly more on imports than the Hungarian chemical industry. The point is what extra value the chemical industry of a given country adds to the material used.

The writer says a few paragraphs later that the import-intensiveness of chemical production increased during the last two decades, and thus there are contradictions in the consequences of the Hungarian national economy's chemicalization appearing in international barter. During the last two decades the Hungarian chemical industry's production increased 7 times, while imports increased only 5.4 times. In comparing these two figures, it becomes apparent that production became less import-intensive. It is well known that the imports of chemical products and the materials imported for the use of the chemical industry are not identical. Only 35 to 40 percent of the chemical imports reach the chemical enterprises for further processing; the rest constitutes products that reach the other branches of the national economy; i.e., circumventing the chemical industry (synthetic fibers, herbicides, artificial fertilizers, plastics, etc.).

The writer says that a significant proportion of the losses in terms of trade during the last decade was in the imports of chemical products. He says that "in view of this, the national economic efficiency of the development of the chemical industry cannot be assessed as adequate, although there have been significant results in several areas."

These are unfounded and shocking deductions. Since the article is ended with this, the uninformed and believing reader is stuck with this view. I wonder whether the writer read a recent analysis by the Central Bureau of Statistics of the economy's development in the first half of 1981. In it, I saw indexes of net costs in dollars in connection with the main exporting branches. These data prove that in 1980 and 1981 the chemical industry had the smallest index of dollar production, the chemical industry had the smallest export costs, and chemical exports yielded the largest profits for the national economy.

In Hungary, the efficiency and profitability of a given enterprise or industrial branch are usually assessed on the basis of the productivity of live labor, asset efficiency or the net production for each unit of the weighted sum of costs in live labor and assets; i.e., on the basis of complex efficiency. It is surprising that no matter at which one we look, we find the chemical industry, among all industrial branches, in the best position everywhere. Let us look at them.

Live labor production increased between 1970 and 1980 at the fastest pace, significantly surpassing the industrial average. The annual pace of increase was above 10 percent even in those years when the socialist industry as a whole showed a decrease (1975-1980).

Asset efficiency increased the most during the Fourth Five-Year Plan in the chemical industry (2 percent annually), while decreasing in the socialist industry as a whole. In the Fifth Five-Year Plan, according to related data of the Central Bureau of Statistics, "as opposed to the other branches, the chemical industry improved its asset efficiency as well."

On the basis of this, it is understandable that the so-called complex efficiency, which expresses cost efficiency, was highest in the chemical industry. According to the analysis of the CBS, which is a study of the industrial development during the Fifth Five-Year Plan and was published in April this year, the chemical industry was the only branch where both the complex and partial efficiency increased at a faster pace between 1976 and 1979 than in the previous plan period and in which the degree of growth substantially surpassed the industrial average. The chemical industry's revenue per each 100 forints of resources approaches 150 forints, twice as much as the industrial average. Similarly, net profit per employee is about 3 times the industrial average and 2.5 times higher than of the machine industry, which in turn is above average.

It is also usual to approach the timeliness of a branch from the aspects of export potentials and production indexes. The chemical industry's capitalist exports increased in the last 20 years above the production increase. The Fifth Five-Year Plan saw an especially large growth: sales of chemical products quadrupled in five years. Such dynamic growth is not found anywhere else; as a result, the chemical industry is on a par with the large exporting industrial branches. By the first half of this year, the chemical industry has become number one among exporters with nonruble accounts. While other exports temporarily decreased in comparison with last year's exports, chemical exports increased by 15 percent. In the meantime--as mentioned earlier--its dollar production index on the level of production costs is the most favorable.

In spite of the dynamic increase of production and exports, the imports, unfortunately, have also increased, albeit at a slower pace. Between 1960 and 1980, we spent an extremely large amount, about 140 billion forints in current prices, on the development of the chemical industry. During the same period, almost four times as much was needed for importing chemical products.

All of this proves that, in spite of the large increase of production, the chemical industry was unable to keep in pace with demand on a national economic level. A further development would be needed.

As a result of the national economy's investment situation and articles similar to the one published by the FIGYELO (they have been in fashion lately), the public has unfortunately, a false picture of the economy of the development. Consequently, the chemical industry's development has been pushed into the background in the last 3 or 4 years, while demand for its products continues to increase. The article also mentions that the number of machines in the chemical industry declared obsolete in 1980 has reached 20 percent. Ten years ago, in 1970, it was only 7.5 percent. This also proves that development slowed down. What we do not produce in our country, we must import and imports are more and more expensive.

Laszlo Racz
Chief of the Main Department
National Technical Development
Committee

Commentators to the last part of my article, "Decades of the Chemical Industry and Chemicalization" (appearing in the issue 1981/40), considered two statements in it unfounded.

In the detailed study of the reasons for the losses and the worsening terms of trade, it became apparent that both phenomena can be traced not only to the price increase of energy materials but also to the deteriorating terms of trade between raw materials and finished products. At the same time, the terms of trade worsened in practically all main categories of products; i.e., in the export-import trade of products with identical characteristics. Indeed, this was the main factor in the losses in the terms of trade in nonruble accounts. The industrial press (including the FIGYELO) published several related studies and articles (e.g., "Changes in International Trade," FIGYELO, 1980/53.) I thought that they were well known; this is why I did not give any details about the 'background material' for the statement related to the chemical industry. I shall do so at this time.

The Annals of Foreign Trade Statistics give import and export price indexes in various product categories. One of these is the Standard International Trade Classification nomenclature that includes nine main categories of products. The heading "chemical and similar products" includes organic and inorganic chemical products; materials for paints, tanning and coloring; medications and pharmaceutical products; volatile oils, perfumes; detergent, washing and cleaning materials; artificial fertilizers; synthetic resins; plastics; and cellulose aether. About 80 percent of our foreign trade in chemical products (both in volume and value) belongs to this category. (In 1980, the value of imports was 41 billion forints, and that of exports was 26.7 billion forints. According to the domestic classification of categories, the value of imports was 50.5 billion forints, and that of exports was 29.8 billion forints.)

In the category "chemical and similar products," the price index of imports (1970=100) was 173.3 in 1979, while that of exports was 90.5, thus the terms of trade was 52.3. The terms of trade continued to worsen in 1980, going below 50. The worst terms of trade within an identical product category is in this one; quoting the statement in my article, "a significant proportion of the worsening term of trade within an identical product category was during the last decade in this product sector; i.e., in the imports and exports of chemical products." (According to the calculations of the Main Department of Economics of the Ministry of Foreign

Trade, 75 percent of the total losses in the terms of trade in nonruble business to 1978 was generated in the trade of chemical products. It is apparent from the annals' price indexes that, from the aspect of losses in, and worsening terms of trade, the trade of chemical products is characterized by unfavorable tendencies even in ruble accounts.

None of the data of my article disproved the chemical industry's favorable position of efficiency in the national economy. However, this efficiency, when measured by international standards (which are the standards of international trade), is inadequate; the worsening terms of trade prove this at any rate. I wish it would become a general practice, a fashion, in all branches of the industry and economy, to evaluate the efficiency of developments and economic processes on the basis of the effects and consequences of foreign trade.

Istvan Garamvolgyi

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HUNGARY

ENTERPRISE PROFITS TO BE CUT IN 1982

Budapest HETI VILAGGAZDASAG in Hungarian 5 Dec 81 pp 36-37

[Article by Sandor Balazsy: "Enterprises on a Reducing Diet?"]

[Text] The government recently undertook to issue a package of measures that are rather unpopular with economic public opinion, particularly among enterprise managers, because the measures cut enterprise profits. From years of observation it can be said that enterprises usually recover from such restrictions with surprising rapidity. Opinions differ as to whether this will again be the case.

Since the beginning of October, in the official gazette there have appeared a series of decrees introducing changes in various partial areas of the system of financial regulation. These decrees set for the economic organizations conditions that in many respects are stricter than the ones for this year. The effective date of these changes is usually 1 January 1982, but some measures are applicable as of 1 November, and certain provisions concerning the taxation of 1981 profits can be regarded as retroactive.

Let us briefly review these changes affecting the enterprises:

--The producer prices of sources of energy will rise (by about 10 percent on average, as of 1 November).

--Transportation rates will rise, by 15 percent in domestic highway and rail transportation, and by an average of 20 percent for export-import shipments. (The rate increases are likewise effective as of 1 November.)

--Truck operators will have to pay a surcharge that will be commensurate with load capacity.

--The enterprises will have to assume that proportion of intercity commutation costs which up to now has been borne by the state budget, in the form of commutation-ticket subsidies.

--The transferable ruble's exchange rate will be reduced by 1 forint, from 26 forints at present to 25 forints. The resulting decline in export earnings will be offset by a simultaneous modification of the financial bridges [duty, import turnover tax, import subsidy, state rebate, etc.] where this is necessary to preserve the profitability of export.

--The rate of social-security tax payable by the enterprises will increase from 24 to 27 percent.

--The rates of interest on enterprise credits will increase by one percentage point (generally as of 1 September, but as of 1 January 1982 for farms). As of 1 January, then, interest rates will be 10 percent on state loans, 11 percent on investment credit from the bank, and 12 percent on short-term circulating-capital credit.

--Certain specialized sectors that up to now have been able to retain their entire depreciation will have to transfer a proportion of their depreciation to the state budget. (However, the rate of the transferable proportion will be lower than the customary 40 percent.)

--At some of the enterprises, the extent of aid for the modernization of production will be phased out faster than had been planned originally.

--The proportion of annual profit that must be allocated to the obligatory reserve will rise to 20 percent, from 15 percent previously, already in the allocation of 1981 profits.

--At most enterprises the so-called wage coefficients will be modified, and thus a larger increase in enterprise performance will have to be attained for a one-percentage-point rise of the wage level.

--The rate of the construction tax will rise to 20 percent, from 10 percent previously.

--A 6-percent reserve will have to be formed in the case of lump-sum investments.

--The budgetary allotment for state investments will decline.

--Enterprises of above-average profitability will find it easier to increase wages and salaries. Favorable conditions have been set for them to give higher raises than previously.

--The enterprises' tax burden has been eased by lower taxes on fees to innovators; the proportion of the profit-sharing fund used to reward innovators will no longer be taxed progressively.

--The rules for the formation and spending of the welfare and cultural fund will be amended somewhat, to the enterprises' advantage.

Understandably, the package of decrees containing the above measures has not met with enthusiastic reception among the enterprises. This is not surprising, since the introduced measures are expected to reduce enterprise profits by an estimated 25 to 27 billion forints in the entire economy, including a reduction of about 1 billion forints in industry alone. Moreover, fewer fillers per forint of remaining profit can be allocated to the development fund and profit-sharing fund. The introduced measures jointly--assuming of course that also next year the enterprises will operate in the same manner and at the same level as this year--will reduce by more than 10 billion forints the resources available for investment. The possibilities for raising wages and salaries in 1982 will likewise decline as a result of these measures.

The objective is unambiguous: to curb domestic spending in the economy, and to provide more incentive for higher performances, so that the country may take a further step toward the restoration of equilibrium, on the market for capital goods and consumer goods, as well as in the state budget and balance of payments.

The stricter conditions are warranted partially by the fact that during the year it became evident that, within the framework of the present system of regulation, we have not been able to fully attain our equilibrium objectives. The generation of national income has fallen short of the target, while spending has exceeded the plan. Thus it must be established that the foreseeably favorable development of enterprise profit this year has not provided the basis for a suitable improvement of efficiency. On the other hand, the external economic conditions worsened further this year and can be expected to worsen also next year. The importation of several important raw materials is becoming more difficult and more expensive, and the expansion or even maintenance of export denominated in convertible currency requires greater effort amidst the conditions of prolonged recession.

Thus the measures introduced in October and November of this year merely transmit the hardening of the conditions of economic activity for the enterprises; the cause and sources of the tightening are the worsening general state of the economy, deterioration of the set of economic criteria, and the resulting stricter requirements.

All this of course does not alter the fact that the measures already in effect or soon to become effective are strict, and even harsh. But this does not mean at all that the enterprises' situation next year will necessarily become significantly worse. The enterprises, or at least a large proportion of them, will be able to recover from this unexpected financial blow. They can compensate for most of their lost profit by increasing their performance, through more prudent management, and by pursuing marketing and production policies that are more flexible.

This is primarily what the economy's management expects from this year's stricter measures. Forecasts indicate that in 1982 our domestic enterprises, even under the stricter set of conditions, will approximate this year's profit level. If they succeed in this, then the approximately same level of profit will be supported by about 25 billion forints of increased output and uncovered reserves. This is not an easy task. But if the enterprises fulfill this task, it will mean that they will complete their reducing diet without having to tighten their belts.

1014
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PLENIPOTENTIARY SPEECH ON ECONOMIC REFORM PUBLISHED

Warsaw TRYBUNA LUDU in Polish 23 Dec 81 p 5

[Speech by Prof Wladyslaw Baka, the government's plenipotentiary on economic reform, delivered at a joint meeting of the Sejm commissions: "The Shape of Reform"]

[Text] Early in December the government tabled the drafts of eight laws which, together with the laws on state enterprises and workforce self-government passed by the Sejm on September 25th, describe the politico-legal shape of economic reform. The draft laws, which were the subject of wide social consultation, cover: socio-economic planning, state statistics, prices, taxation of units of the socialized economy, fiscal management in state enterprises, authority to conduct foreign trade, bank law, and granting of a statute to the Polish National Bank.

The government considered the opinions of the Commission on Economic Reform, social organizations, trade unions and the proposals of 100 enterprises--all of whom were consulted on reform matters. This made it possible to draft the laws so as to most completely reflect social desires and to faithfully concretize the basic assumptions of reform which were approved by the Sejm on September 24, 1981.

There is No Return

In the period between presentation of the draft laws in the Sejm and today, when they are undergoing their first reading, a state of martial law has gone into effect in our fatherland. The reasons and purposes of this dramatic event in the life of the Polish nation were given in the memorable speech by the chairman of the Military Council for National Salvation on December 13, 1981, and in the Council's Proclamation.

Each day confirms the words that the declaration of martial law is not aimed at halting reform and revoking the progressive transformations in our country, and that we wish to improve the mechanisms of management in the direction and in accordance with the assumptions of reform. This is proven by the practical actions that have been taken to immediately apply, as broadly as possible, elements of a new economic system, and to pave the way for comprehensive economic reform.

This conviction is strengthened by the fact that the draft laws prepared before December 13th, which form the legal bases for democratization of socioeconomic life in our country, were submitted for deliberation to the Sejm in an unchanged form.

It is our desire that during the course of the Sejm's work on the legalities of the important issues of the new socioeconomic mechanism, a thorough, critical assessment of the draft laws be made, that the legal formula of economic reform passed by the Sejm embody the entire experience and great achievements of Polish learning. And it is in this sense that we regard the submitted draft laws as open.

Reform Goals

It is the task of reform to put into effect principles and mechanisms for functioning which will: /first, ensure high social efficiency of management/[in boldface]. This will be done by: strengthening the rank of central planning and genuinely socializing it; creating conditions and motivations for dynamic and efficient operation of enterprises; forming a system of economic ties and applying instruments of economic policy which will ensure the conformity of the activities of the enterprises with the interests of society as a whole;

/Second, contribute to the restoration and consolidation of economic balance/[in boldface], eliminating the arduous and humiliating lines in front of shops, improving the position and prestige of Poland on the international economic arena, and giving the Polish złoty a luster as a national currency and as a universal means of exchange;

/Third, ensure a more just distribution of the national income/[in boldface] among different socio-occupational groups, make personal wages more dependent on work input and incomes of enterprises more dependent on the efficiency of their operation.

These are the basic directions of reform, whose unshakable foundation is workforce self-government and enterprise self-dependence and self-financing. The draft laws submitted form the basis for comprehensive control of the operation of the national economy in accordance with these assumptions. These drafts can be examined in three groups.

Information and Planning

Group one encompasses drafts of laws on state statistics and on socioeconomic planning. They define the principles and procedures for the conscious shaping of socioeconomic processes, as a fundamental characteristic of the socialist method of production.

The transformations that are occurring in society and in the economy make it necessary to change the approach to the program, functioning and organization of statistics. It is most important that research statistics provide a knowledge of the actual state and trends of development. Knowledge on the economy and society must be based on objective information expressed in statistical data. Research must be directed to meet the needs of the future, and results of this research must facilitate correct solutions to increasingly more complex socioeconomic problems.

The draft law on statistics fulfills these requirements. In a clear way it defines the role and tasks of the organs of state statistics. It ensures broad access to statistical information, limited only by considerations of the protection of state

or economic secrets or the personal rights of citizens. This means that information obtained from a general census and other statistical studies is classified and secrecy violations are punishable under law.

This is a draft of a modern law, which, when it goes into effect, will form a solid information base for proper shaping of socioeconomic strategy and will expand and deepen social knowledge about the country, its economy and its developmental tendencies and conformities.

"The Polish People's Republic's economy is a planned economy, based on socialist economic relations. The functioning and development of the economy are controlled through a system of socioeconomic plans, using a market mechanism." So reads the first article of the draft law on socioeconomic planning. It unequivocally describes the socialist character of planning in our country as a method for coordinating and expressing the social will as to the goals and directions of the country's development.

As distinct from planning models used thus far in which the principle of hierarchical subordination dominated, it is assumed that the directional concurrence of the enterprises' plans with the central plan will be achieved by the use of economic instruments. The role of pre-plan studies and forecasts as premises for creating plans will be increased in a very basic way. This is an important factor in utilizing the achievements of learning to serve the development of society. In accordance with the draft law, the 5-year National Socioeconomic Plan will fulfill the leading role. This decision was dictated by the experience of our country and other countries and by the planning theory.

The fundamental characteristic of the new planning system is the legally guaranteed socialization of the plan-preparation process and control over execution of the plans. This is expressed in a clear definition of the forms and procedures for the participation of representative organs of all levels, trade unions, social organizations, institutions and scientific communities in the creation of plans.

It is assumed that the public will be widely informed about the drafts of plans and that a social discussion will be conducted on this subject. The draft law is aimed at basically and genuinely increasing the role of the Sejm in making strategic decisions and ensures its participation in the selection of a concept for the development of the country. The examination by the Sejm of different variants of development of a long-term plan even before the formulation of the final draft of the National Socioeconomic Plan, serves this end.

In summary, the draft law on socioeconomic planning is aimed at consolidating the strategic functions of central planning, democratizing the general planning process and ensuring full social control over the course of the implementation. It sets up institutional barriers to the return of arbitrariness and voluntarism in managing the economy.

Principles and Mechanisms

The second group of draft laws is linked most closely with the shaping of economic principles and mechanisms of operation of state enterprises. We refer to the draft law on prices, taxation of units of the socialized economy and on the fiscal management of state enterprises.

The draft law on prices is intended to give optimal consideration to the basic functions that prices fulfill in the socialized economy. The legal principles of establishing and controlling prices are supposed to protect the economic interests of the basic masses of society on the one hand, and on the other hand they are supposed to create an incentive for the enterprises to undertake socially required production, persuade them to be innovative, and contribute to the enhancement of the market.

Based on this fundamental premise, the draft law envisages two forms of intervention by the state administration organs: direct fixing of so-called official prices and defining the principles for fixing the so-called controlled prices, which must be observed by the enterprise. Official prices of basic products, consumer goods and basic raw and other materials, make it possible for the state organs to effectively influence the level of consumption of wide social groups and the economic conditions of production. The application of controlled prices and the ability to extend their scope further ensures that state intervention in market relations will be effective (will make it possible to counteract elemental processes).

The draft law envisages that on a relatively broad scale so-called contract prices and free-market prices will be permitted. They will be determined on the basis of free agreements between buyers and sellers. This is aimed at utilizing economic laws for the sake of optimizing coproduction ties and so that the structure of production can be better adapted to the structure of the needs of the market.

Great hopes for a correct price policy, for overcoming monopolistic practices, are placed in the proposed creation of a Social Price Commission as a consultative, proposing and control organ, which will be made up of representatives of trade unions, the Consumers' Federation, trade organizations and production enterprises. The plan to appoint such a commission is one more proof that the government intends to subject economic activities to the broadest social control.

Correct functioning of enterprises and the entire national economy to an important degree depends on the proper solution to the question of taxation, as an instrument for the distribution of incomes and the stimulation of efficiency and activity in production. The draft law limits the range of taxes to a turnover tax, tax on the wage fund, real estate and income. In introducing a general income tax, the draft law envisages the possibility of applying tax reductions favoring investment and technical progress, and to the development of cultural activities by economic units.

Fiscal Management

The principles of fiscal management have a key importance in the functioning of an enterprise. The draft law is based on the principle of enterprise self-dependence and the principle of self-financing of its operations. In accordance with these

principles it is assumed that the enterprise's income should be sufficient so that together with amortization it can finance its operational and investment activities, making use, if necessary, of bank credit later paid off from its own funds. It is felt that budget subsidies should be an exceptional measure, or an interim case, and that these subsidies will be granted only within the limits of quotas and according to the rules prescribed by the Sejm.

Important changes are proposed for the financing of remunerations and social needs. The rule has been proposed that plant social and housing funds be created from a yearly deduction of a uniform amount calculated per each person employed in the entire national economy. This will be an act of social justice and will greatly increase the funds where the social needs are greatest. In this way, the social fund will serve as an equalizer of differences in the standards of living of the people.

The principle of financial independence is expressed in the fact that the enterprise itself will independently have its profit for distribution and will decide the purposes for which this profit will be allocated. It is envisaged that the only mandatory deductions from profit will be those for the reserve fund. This is indispensable in order to safeguard the enterprise's operations against poor conditions and results in the future.

Thus the draft law states that, in general, the basic condition for the existence of enterprises will be the attainment of economic efficiency--giving to society more than it takes from it. It places new, qualitatively high requirements on workforce self-governments and plant managements and it increases their direct responsibility for obtaining results. This is in accord with the principle of equal authority and accountability, the crowning principle of economic reform and organization of society.

We should expect that because of either subjective or objective factors in the new system, more than a few enterprises will have economic difficulties. I wish to inform the High Commissions that intensive work is being conducted on a law on procedures aimed at restoring the health of the fiscal economy of an enterprise which has suffered losses and on bankruptcy procedures.

Banks and Foreign Trade

The third group includes draft laws that newly regulate important systems-organizational problems. We refer to the draft laws on bank law and on giving a statute to the Polish National Bank and on a draft law on authorizations to conduct foreign trade. Changes in the management mechanism, based on replacing the administrative method of managing the economy with economic instruments such as credit, interest rate and currency exchange rate, make it necessary to define the role and function of the bank system in relation to these changes.

The draft laws regulate two basic spheres of bank activity: 1) macro-economic, based on the active participation of banks in shaping money-market policy and counteracting tendencies towards disturbance of economic balance; and 2) micro-economic, based on representing the overall social interest in regard to the enterprise, on specifying conditions for granting credit, and other aspects of contractual cooperation with enterprises.

The bank system's new situation, including the duty of the Polish National Bank's president to submit to the Sejm a credit plan and a report on balancing monetary incomes and population expenditures, as well as a report on foreign turnovers, will make it possible to be vigilant and effectively influential so that the decisions that determine economic policy will respect the requirements of internal and external balance. This is another institutional safeguard of our economy against arbitrariness and voluntarism.

The draft law on authority to conduct foreign trade conforms with the aspirations of the enterprises to involve themselves directly in the international division of labor. In view of the absolute necessity to safeguard the national interests in economic relations with countries abroad, and the possible collision of these interests with the interests of a single enterprise, the draft states specific criteria for granting concessions. At the same time, it enables the enterprise to appeal a decision refusing to grant, changing, or withdrawing the authority to conduct foreign trade.

The basic draft laws are intercoordinated and jointly and comprehensively regulate the principles of the functioning of the economy under conditions of economic reform. For the first time in the history of our People's Republic the principles governing the functioning of the economy, beginning with planning, through the fiscal system of the enterprises, to the organization of foreign trade, will be defined in a legal manner, in accordance with the will of the nation's highest representatives, the Polish People's Republic's Sejm.

This will provide cohesiveness between the economic system and the legal system. It will form the basis and the guarantee for observance of the law in economic activities. And the process of reform itself will make the process irreversible. That is why one cannot fail to see the close connection between the debate begun today by the Sejm commissions on the government draft laws pertaining to economic reform and W. Jaruzelski's proclamation on December 13th that, "just as there is no return from socialism, there can be no return to the erroneous methods and practices in effect before August 1980".

It is the government's greatest wish that the conditions necessary for these laws to go into effect--in an improved form as a result of the Sejm discussion--come about as quickly as possible, and serve to implement the great work of socialist renewal in our fatherland--the People's Republic.

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FURTHER DISCUSSIONS OF ECONOMIC REFORMS PUBLISHED

Warsaw ZOLNIERZ WOLNOSCI in Polish 15 Dec 81 p 4

[Article by Lt Col Dr Engr Gustaw Mikielewicz, Military Institute of Information Science: "Priorities and Regulations; Comments and Proposals on Economic Reform"]

[Text] After the analysis of the "Report on the State of the Economy", the "Program for Solving the Crisis and Stabilizing the Country's Economy", and the "Directions of Economic Reform", to which a previous article was devoted, I now submit some proposals supplementing these documents. The proposals refer mainly to the first stage of economic reform and stem from the fact that the date for the beginning of the application of reform and the effective date of the interim principles of enterprise functioning in 1982, is drawing close.

Distinguishing the Sphere of Economy With Differentiated Priorities

To select a rational mechanism for management, it is necessary to unequivocally distinguish the spheres of economy that are dominated by state priorities, individual (group) priorities, or the "dual" spheres (those to which two types of priorities are applied). The appearance of different sectors in our economy--state, cooperative and private--makes it somewhat easier to assign branches to particular spheres, nevertheless an analysis of each of these fields of economy is indispensable.

Determining the Functions of Priorities

In the sphere dominated by individual priorities, organizational units make decisions that reflect their own individual (group) scales of values (evaluations). The problem of determining overall-social value scales is more complicated. To construct them, the following procedures can be applied: The main socioeconomic goals are formulated and they are then broken down into partial goals which are distributed on several levels. In this way we obtain a hierarchical structure of goals. The determination of the importance and specific size of the particular goals during various periods would be made by society through representative organs (People's Council Sejm). It is hardest of all to determine the scale of values in dual spheres. I believe that this problem can be solved only by mutually matching both systems of priorities and systems of decisionmaking so as to reconcile individual, group, and social interests, with all of their differences.

Establishing Standard Regulations of Economic Policy.

The basic type of economy in the new model is assumed to be a planned economy based on observation of the market. The rationality of the management mechanism reveals itself in the selection of adequate, to the assumed type of economy, methods of implementing the functions of this mechanism, such as: distribution of resources, control of the supply structure, distribution of incomes, adaptation of production capacity to changing conditions, and control of scientific and technical progress.

If optimization methods are used in the process of implementing the stated functions, how the central level (and economic organizations) proceed will depend on the selection of policies that take into account the limitations that appear, and that will ensure the achievement of the goals that were set. At the same time, the selection of these policies is to be made on the basis of the principles defined by the standard regulations of economic policy.

Standard regulations can be established by preparing an economic model of Poland and by applying a goal-problem planning method. The national economy can be divided into mutually interconnected and cooperating sectors, e.g.: the government, the state sector, the cooperative sector, the individual sector, the market, the bank, and the environment (countries abroad). By establishing, on the basis of the political-system qualities, the economic laws and the functioning conditions, the control parameters and the economic relationships between the above-stated sectors of the economy, we obtain a model of the economic system. A model so constructed will make it possible to develop dependency agreements, to study the behavior of the economy and to prepare economic parameters for directing the activities of economic organizations.

Goal-problem planning ensures a close relationship of goals with the means for their achievement and a substantiated division of the initial resources that are indispensable for the obtainment of means. The essence of this method lies in looking at planning as a uniform, integrated process of implementing phases: the planning of goals (production), the planning of means (programs), and the planning of initial resources (budget). The state program here is a group of measures which have specific dates and costs for their implementation attached to them, measures that are directed at achieving strictly defined socioeconomic goals. Programming ensures that long-range goals will be linked to annual budgeting.

In the composite representation of all state programs, the mutual usefulness of elements of one program to other programs can be determined and thus key elements for the entire economy can be revealed. In completing the binding structure of the budget, the program structure (in the composite representation of all programs), it becomes possible to examine the input of the economic organizations toward attainment of social goals and in the reflection of the influence of the possessed resources (particularly the scarce ones) on the structure of the socioeconomic goals that are proposed.

Thus we obtain the tools of economic policy which make it possible to establish the effect of changes in the weight of socioeconomic goals in different situations on budget allocations and vice versa, showing how budgetary restrictions (and restrictions on other initial resources) affect the attainment of particular goals.

Selecting Methods for Implementing the Function of the Management Mechanism

It is not possible in a single article to discuss the methods for implementing all functions. Therefore, I shall limit myself to the first and fifth functions, which are sufficiently representative of their classes (static--the first three functions, dynamic--the remaining two functions).

The Problem of Distribution of Resources

The rationality of the system of distribution of resources is, to a considerable degree, determined by the rationality of the distribution of difficult-to-obtain (scarce) resources. The quantitative measure of the availability of resources is price, or the balancing of economic plans. Under present circumstances, therefore, the problem of developing an effective tool for the distribution of scarce resources is especially important. The main element of such a tool is a hierarchical structure of socioeconomic goals of established priorities and sizes during the periods being examined. On the basis of this structure, state programs are formulated, the implementation of which ensures achievement of social goals. By further determining the resources indispensable for the execution of programs and by preparing a balance of the requirements and possibilities of obtaining resources, it is possible to establish the scarcity rules from the standpoint of the entire economy.

In order for socioeconomic plans to be balanced, the maximum usefulness of resources in all their applications must be equalized, i.e., no unit of any resource is used for the attainment of more important goals ("all resources are equally important").

/The proposed system of distribution of resources ensures the balancing of plans, the proportionality of economic processes and, in addition, furnishes important information for controlling scientific and technical progress. This system is particularly useful in the present socioeconomic situation/[in boldface].

Controlling Scientific and Technical Progress

The distribution system described ensures the distribution of existing resources for the attainment of goals. By indicating the scarce resources, the fields of economy which must be developed are also indicated. However, the problem of finding effective forms of stimulating scientific and technical progress arises. In a market economy, competition is such a form.

In our economy the solution to this problem is seen in the selection of a system for evaluating the functioning of economic organizations and the entire economy. The goal of economic organizations is the satisfaction of social needs. On the other hand, it can be shown that in a socialist economy the only source of increase in the level to which social needs are satisfied is scientific and technical progress. /By combining these two aspects, we will ascertain that the basic criterion for evaluation of the functioning of economic organizations (and the entire economy) should be a growth in scientific and technical progress. Hence, also, the leadership cadre at all levels should be evaluated principally to assess their contribution to acceleration of scientific and technical advancement in the fields for which they are responsible/[in boldface].

The size of outlays for science is a main factor in intensifying production. The data that are available show that /investment in progress is over six times as effective as investment in measures that do not include progress/[in boldface]. By directing the potential of science towards improvement in work organizations and management, in applying technology to domestic raw-materials capabilities, by eliminating "bottlenecks" (established in the distribution process), we can increase the efficiency of the functioning of the economy as early as right now and mainly by noninvestment methods. Of course, together with an increase in outlays for science, measures should be taken which will ensure that scientific-research and design centers operate efficiently.

Developing a Technology for Managing the Economy

Technology development requires the selection of methods and means for implementing the function of management which will ensure a close relationship of goals with the means for their achievement. The method which fulfills these requirements in the field of planning is the already-discussed goal-problem planning method. In order to provide continuity and reasonableness in planning, it is necessary also to: 1) prepare step-by-step plans and 2) change the fiscal year in relation to the calendar year (which will eliminate the provisional state of the budget).

There should also be a close connection between planning and the execution of the plans. Solutions in the area of the mechanism of management and the technology of management constitute a basis for the preparation of a rational structure for managing the economy.

Selecting the Structure for Managing the Economy

The following approach is suggested for establishing the structure of the economy. It is based on grouping the branches of the economy not so much from the standpoint of the intensity of product flow between them (as has been done thus far), as from the standpoint of goals and resources, meaning that branches which to a maximum degree work together with the remaining branches fall into the same group. This approach will facilitate coordination and make it possible to examine the stability and directions of the evolution of the structure as new products or methods are introduced. By applying the present organizational structure to the so-described structure of the economy and structure of the socioeconomic goals, we can clearly visualize its weak and strong points and establish the directions of change.

The courses of direction cited show the need to reorient the method by which the present management structures operate (especially on the top level) from a functional to a problem method. The problem structure will ensure that the organizational cells can apply themselves to solving specific socioeconomic programs, depending on the goals, types of final products and the complexity of the connections between the programs.

There still remains the estimate of the possibility of applying a proposed package of supplements in sufficient time to allow the preparation, on the basis of the supplemented drafts, of a long-range plan for the functioning of the economy, and also the short-range plan for overcoming the crisis, based on the long-range plan and the current situation. The short-range plan would also cover the next few years. These measures await us also in the light of Poland's joining the International Monetary Fund.

/The first task in the work on drafts of plans would be the formation of an efficient information base/[in boldface]. This is linked with: 1) the preparation of a hierarchical structure of socioeconomic goals and their arrangement by priorities, and 2) the preparation of an economic model of Poland and on this basis, the establishment of specific parameters of economic influence on economic organizations (including the structure of producer prices, incomes, taxes). On this basis, work can be begun on the preparation of plans according to a goal-problem planning method, at the same time that the structure of the economy and the organization structure for managing the economy are being determined. Following that, plan tasks would be assigned to the reorganized economic units. The research potential would be directed towards eliminating the weak parts of the economy, as revealed in the balancing process. Also, the development of a theory of the functioning of a planned economy with the elements of a market mechanism would be stimulated.

By directing and concentrating the efforts of the scientific-research centers and reorganizing the Planning Commission from a problem structure aspect, these tasks can be fulfilled within a six-months' period. Such an estimate is fully possible, for there already exists a proven method for preparing a hierarchical structure of goals. The problem-goal methodology is commonly known, as is preparation of economic models. The algorithms for designating the structure of an economy and management are also known. Therefore, the existing solutions should be used directly or adapted, making use of Central Office of Statistics (GUS) data and information contained in central computerized-information systems. Furthermore, many problems have been solved within the framework of work done on reform and on operational programs according to past methods.

Thus the main requisites lie within the sphere of organizational decisions. The methodology of the work on plans to get out of the crisis is important here, but the methods applied in the first stage may be of a simplified nature.

9295
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COAL EXPORT SITUATION, PROSPECTS REVIEWED

Status of Coal Export

Warsaw ZYCIE GOSPODARCZE in Polish No 50, 13 Dec 81 p 11

[Article by E. M.: "Dark Prospects for Polish Coal"; passages enclosed in slant-lines printed in boldface]

[Text] /Writing about coal has become burdensome in this country. Given the emotions and controversies caused by this subject, it is difficult to elucidate the causes of the problems besetting the world's fourth largest coal producer [Poland], while it is easy to offend the miners who are being urged to work, the authorities which do the urging, or the more impatient sections of the public./

It is a fact, however, that coal extraction is decreasing. This year it will reach about 162 million tons instead of the until recently expected 165-168 million or the 188 million that had been envisaged at the beginning of the year. Under such conditions it is still more difficult to write about exports considering the domestic coal shortage, the lack of coal for farmers, and the coming menace of power and heating shutdowns owing to lack of fuel.... How is exporting possible in such a situation? Of course, it is difficult, and the exports are decreasing, abruptly even. Even if it turns out that this is something we can do nothing about, it is time to consider the implications. But first the related situation, unpromising as it is to us and to our trade partners, must be more closely examined.

/The 25 percent decline in coal exports in 1980 has been followed by their veritable collapse during the first three quarters of this year: a 54 percent decrease compared with a like period last year. In terms of value the situation looks somewhat better. Owing to some increase in prices the decrease in foreign-exchange revenues in 1980 was proportionately lower amounting to slightly more than 15 percent. This trend has persisted in the present year too. In terms of value the decrease in black coal exports during the first three quarters of this year amounted to 44.3 percent whereas the quantitative decrease was more than one-half. The favorable price trend cannot, however, alter the catastrophic consequences of the quantitative decrease in coal exports to our balance of payments. In absolute figures, foreign-exchange income has abruptly diminished (from 5.6 billion foreign-exchange zlotys in 1979 to nearly 4.8 billion in 1980 and barely 2.4 billion during the January-September period in 1981). Considering that the

most recent estimates show that coal exports this year will not exceed 16 million tons, it is to be expected that the overall revenues from these exports will be at most 3 billion foreign-exchange zlotys. Moreover, it is the revenues in convertible currencies that are most affected by this decrease, because this year--unlike even in the previous year--the decline in exports to the capitalist countries was relatively greater than to the socialist countries. Whereas the capitalist countries in 1979 received more than 64 percent of all exports of Polish coal, during the January-September 1981 period their share fell to 52 percent.

/As is known, coal exports to convertible-currency countries have been a major source of financing our imports from these countries. A substantial part of these exports is based on longterm contracts that often are linked to credit agreements. The impossibility of carrying out fully these obligations only aggravates our plight which already is anyway critical owing to payments considerations./

So far we have not encountered major problems with our trading partners, who have shown considerable understanding for the difficulties of Polish coal mining. This concerns even such countries as Finland or Denmark, which have been filling a large part of their needs through imports from Poland. They have tacitly acknowledged the exceptional situation in which Poland finds itself, of a certainty because they count on its normalization and the restoration of normal deliveries within a short period of time. The settlement of the strike situation indeed affords some chances to salvage Poland's damaged reputation as a trustworthy coal supplier, at least within the framework of longrange agreements, but the introduction of work-free Saturdays in mining, the supply shortages, and other problems of coal mining make highly questionable the possibilities of rebuilding within a short period of time Poland's position as the world's second largest coal exporter. It is becoming urgent to thoroughly analyze our possibilities in this respect for the next few years, and to base on realistic prices our relations with trading partners--especially with those whom we guaranteed longterm deliveries. This will most probably mean the need to withdraw from certain markets.

/Besides, as ensues from the table below, this is already happening. This concerns, for obvious reasons, chiefly overseas countries/ such as Japan, which used to import large quantities of coking coal (639,000 tons in 1979 and 387,000 in 1980) but during the first three quarters of 1981 it imported barely 65,000 tons, and the United States to which we had exported more than 600,000 tons of stoking coal in 1979 whereas now our exports there are virtually zero. In addition, the main recipients of Polish coal other than those mentioned in the table below are such West European countries as Holland, Sweden, Norway, Switzerland, Greece, Portugal, and such overseas countries as Brazil and Argentina. The reduction in deliveries, in some cases quite considerable, has taken place in every direction, such being the actual possibilities. It appears that their revision would make possible a more efficient utilization of the actual export potential of coal mining and better servicing of selected markets.

/This postulate also applies to some extent to the exports of Polish coal to CEMA countries. Owing to the planned nature of trade with these countries, the reduction in coal deliveries has produced on them with a special impact. It should be borne in mind in this connection that this reduction can also affect the extent

to which our economy can satisfy its need for raw materials and commodities imported from the CEMA area./ As we know, the implementation of deliveries of discrete commodity groups as specified in the agreements proceeds on the principle of mutuality. So far only the Soviet Union has been fully, and sometimes more than fully, meeting its obligations, e.g. as regards deliveries of crude petroleum and petroleum products, despite the substantial decline in exports of Polish coal: our other partners have been less understanding. Thus, considering the interests of our partners and our own interests as well, the problem of reaching an agreement with them about future coal deliveries so as to allow for our actual possibilities, as well as the needs of the Polish economy for other fuels and raw materials, is acquiring a crucial importance. In addition to the three chief CEMA recipients of Polish coal mentioned in the table, there are two other CEMA countries--Romania, which imports coking coal (400,000 tons in 1980, 260,000 tons during the first three quarters of 1981), and Hungary, which we have been recently supplying with stoking coal (495,000 tons in 1980 and 425,000 tons in the first three quarters of 1981). There is no need to add that the importance of these countries to the whole of our economic relations with foreign countries is such that meeting their coal needs as best as possible is of primary significance.

/Discussions of aspects of Polish coal exports sometimes touch upon the murky problem of the prices and profitability of these exports./

It must be stated in this connection that, in view of the fact that the binding domestic prices of coal as a rule are below its production cost, there is indeed little confidence indeed in prices based on effectiveness indicators which [seem to] indicate that the profitability of coal exports is extremely high. In such a situation a simple and relatively reliable yardstick is the transaction prices obtained on the free foreign-exchange markets and their comparison with the prices we receive for exports to the markets of CEMA countries. The pertinent mandatory price system, though different, is besides linked to world prices on the principle of graduated [periodically revised] prices. Prices on the capitalist market undergo more frequent and broader fluctuations, but comparisons of mean prices obtained from coal exports to the capitalist and the socialist countries do not reveal any drastic differences. /In 1979 these prices were higher in settlements with the CEMA countries. The mean price of stoking coal exported to these countries was nearly 152 foreign-exchange zlotys per ton, whereas for coal exported to the developed capitalist countries that price was barely 113 foreign-exchange zlotys./ In 1980 the price of coal exported to CEMA countries exceeded 151 foreign-exchange zlotys per ton, while that of the coal exported to Western markets rose to nearly 175 foreign-exchange zlotys per ton. During the January-to-September period in 1981 these prices were correspondingly more than 147 and 218 foreign-exchange zlotys per ton, respectively. The mean price per ton of coking coal exported in 1979 to CEMA countries was nearly 199 foreign-exchange zlotys, and that of the coal exported to the developed capitalist countries, 160.5 zlotys. In 1980 these two prices were 143.8 and 165.5 foreign-exchange zlotys, respectively, and during the first 9 months of this year they rose to an average of nearly 214 and 206.7 foreign-exchange zlotys, respectively.

Of course, comparisons . . . mean price levels provide only a rough idea of the actual effectiveness of exports to each of these two payments areas, because they do not allow for the differentiation in the prices of many varieties of coal in

the trade, as well as for the contract differences ensuing from the specific market situation at the moment the transactions are agreed upon. This warrants stating, nevertheless, that in the long run there occurs an explicit correlation between the prices obtained by Polish coal exporters in both payments areas. Let us add that the /actual price trends for coal are favorable. The mean price of stoking coal, as computed for the whole of Polish exports, has risen from 129 foreign-exchange zlotys per ton in 1979 to 157 in 1980 and 178.6 during the first 9 months of this year./ During the same period the price of coking coal has risen from nearly 165 to almost 290 foreign-exchange zlotys per ton. However, for the time being, this market boom benefits only our competitors--the United States, Australia, Canada, and even Great Britain which itself is a major importer of Polish coal.

Exports of Black Coal and Coke (in '000 tons)

	<u>1979</u>	<u>1980</u>	<u>Jan-Sep 1981</u>
Total, black coal	41,437	31,048	12,857
CEMA countries	14,922	10,856	6,066
USSR	9,480	6,041	3,216
Including GDR on basis of tripartite agreement	(3,010)	(1,942)	(1,572)
Czechoslovakia	2,247	1,881	910
GDR	2,044	1,782	1,025
Developed capitalist countries (60.6 percent)	25,112	19,135	6,184
Finland	4,314	3,106	1,404
Denmark	3,110	[unclear]	633
Italy	2,268	2,201	816
France	4,562	3,243	559
FRG	2,265	1,472	630
Austria	1,022	998	466
Spain	1,265	879	305
Ireland	689	481	186
Great Britain	571	437	177
Belgium	486	536	129
Brazil	1,226	917	510
Coke (total)	2,075	1,770	1,140

Tight Coal Balance

Warsaw TRYBUNA LUDU in Polish 7 Jan 82 p 5

[Text] /At the ministry of mining and energy/ a preliminary calculation of the last year's production results of coal mining has been performed.

As we have noted before, in 1981 miners extracted 163.021 million tons of black coal, i.e. 31 million tons fewer than in 1980. The decline in extraction has resulted in reducing the supply of our basic fuel to most recipients and by the same token contributed to deepening the economic crisis in Poland.

The principal recipient of coal is industry, and it also has felt the consequences of such a marked decline in extraction. In 1981 only 117.1 million tons of coal, that is, over 13 million tons fewer than in 1980, were allotted for industrial production. Reduced supplies of coal were received by, among others, the power industry. Electric power plants and heat and power plants consumed about 55 million tons of coal, that is, nearly 5 million tons fewer than in 1980. The deliveries to the metallurgical and machinery industries, in their turn, were nearly 4 million tons lower; to the chemical and light industries, nearly 2 million tons lower; and to the construction and building materials industry, also nearly 2 million tons lower.

/Throughout the year, on the other hand, agriculture continued to receive priority in coal deliveries./ Through the mediation of the CZSR "Samopomoc Chlopska" [Central Agricultural Union of Peasant Self-Help Cooperatives] 22.9 million tons of coal were distributed. To be sure, these deliveries were 2 million tons lower than in 1980, but in that year coal extraction had been 193 million tons. Thus the percentile decrease in coal supply to farmers was not that big. Altogether 29.8 million tons of the black fuel were, moreover, allocated for consumer needs.

In 1981 coal exports drastically declined. In 1980 foreign contractors had purchased 30.3 million tons of Polish coal, while last year we supplied them with just a little more than 15 tons, of which we sold 7.2 million tons to socialist countries and 7.9 million tons to the countries of the so-called second payments area. According to estimates by economists, the decrease in coal exports cost us at least US\$1 billion in cash--money for which we could have imported many supplies, and this has additionally exacerbated the economic crisis.

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EFFECTS OF MODERNIZATION ON ECONOMY

Bucharest ERA SOCIALISTA in Romanian No 20, 20 Oct 81 pp 5-7

Article by Dr Vasile M. Popescu: "Effect of Modernization of the Economy Upon the Effectiveness of Social Labor"

Text The strategic goal set by the 12th Party Congress of making Romania one of the medium developed countries first requires transition from extensive to intensive development in all socioeconomic activity. As Nicolae Ceausescu pointed out, this calls for intensive development of all activities (both industrial and agricultural and those of the other economic sectors, science, education and culture), pronounced improvement in the material and cultural living standard, better management and planning of all activity, and higher development of socialist democracy and participation of the masses and the entire people in the management of all activities. Hence the importance of building a modern economy that will be rationally diversified and well balanced in the structure of its sectors and highly effective subsectors to meet the demands of the expanded technical-scientific revolution, the aggravated energy and raw materials crisis, and the growing interdependence of the national economies.

Structural modernization of the Romanian national economy is a basic aim determined by a number of objective factors.

In the first place modernisation is one of the main requirements for developing the technical-material base for a socialist society, upon which high social labor productivity to a great extent depends, as well as better use of the material and man-power resources, the nation's greater welfare, more intensive socialization of production and labor, equation of the two forms of socialist ownership (state and cooperative), overall improvement of socialist production relations, and elimination of the essential differences between physical and intellectual work and between agricultural and industrial labor.

In the second place, modernization of the national economy determines and is determined by the nation's commitment to the technical-scientific revolution. In our times a modern economy demands and permits active participation in the international exchanges of material and cultural values. Of course such participation does not mean unilateral acceptance of other countries' accomplishments but primarily an active application of the internal scientific-technical potential and a greater creative national contribution to the world's scientific-technical assets.

And in the third place, overcoming the contradiction between the still underdeveloped technical-material base and what this century and the socialist political-social system that makes Romania one of the most advanced countries have to offer ultimately depends upon modern structuring of the economy. And for this, the gaps that separate us from the developed industrial states of the world must be closed and Romania must more and more closely approach their level and then catch up with them.

Modernization of the economy is directly, although not automatically, reflected in growth of socioeconomic effectiveness. The socioeconomic structure, better use of resources and economic effectiveness are closely related. Any structural modernization results in better processing of national resources and further supply of the economy with more varied use values, thereby enhancing the effectiveness and competitive power of the national economy. In their turn the most productive use of all material and manpower resources and greater socioeconomic effectiveness are ultimately reflected in growth of the national income, making further modernisation possible.

Modernization and Use of Fixed Capital

The effect of modernization upon the effectiveness of fixed productive capital should be pointed out in the first place. Accordingly we shall first discuss some extensive aspects that largely characterize the quantitative aspect of economic modernization. Thanks to differentiated allocation of the investments among various sectors of the national economy and the qualitative changes in the technical level of the economy, an intensive growth of fixed capital, and mainly productive capital, is taking place in Romania. In 1980 the value of fixed capital (the main element in the technical-productive potential) came to 1.87 trillion lei compared to about 1,203,000,000,000 lei in 1975 and 757 billion lei in 1970, logging an average annual growth rate of 9.2 percent over the 1976-1980 period. According to the plan provisions, the total volume of fixed capital in the national economy will reach 3 trillion lei by the end of the current five-year plan, which is an absolute gain of more than 1 trillion lei and equal to the gain over the whole decade of 1971-79.

These figures show that the fixed capital structure is very young, as 59.5 percent of the total fixed capital was activated in the last decade. The coefficient of renovation of fixed capital, the ratio between the fixed capital activated annually and that existing at the start of the year, will remain high during the 1981-1985 period as well. About 60 percent of the total fixed capital the national economy will have in 1985 will be that activated after 1975, while about 37.6 percent will be less than 5 years old. All this graphically illustrates the modern character of the technical-material base of the Romanian economy.

Analysis of the fixed capital structure according to sectors reveals that while the absolute volume of fixed capital is increasing in all sectors of material production industry is in the main proportion, since according to the plan provisions it will have about 47.6 percent of the total fixed capital in the national economy, or 59.5 percent of the total fixed productive capital, in 1985 compared with only 31.8 and 51.9 percent in 1965. These changes could not be more welcome. Experience with socialist construction in Romania has confirmed the fact that it is only by developing and modernizing industry and promoting advanced technology in it that the economic structures are modernized, steady progress is made in all material production, the advances of the technical-scientific revolution are disseminated, the natural resources are efficiently exploited, and high productivity is attained.

Growth of fixed capital in all sectors of the national economy serves at least two purposes. It increases the number of jobs (extensive aspect) and it intensifies the technical equipment of labor, or the value of the fixed capital per employed person (intensive aspect). In 1951-1980 for example, alongside the high rate of technical equipment of labor in industry, the construction sector showed the most rapid growth (at an average annual rate of 8.5 percent), due to the growing tasks that confronted that sector and the increasingly pronounced trend toward industrialization and modernization of construction operations. There was a similar situation in agriculture (an average annual growth rate of 7.7 percent), where the new production relations created the background favorable to expanded mechanization of agricultural operations and to increases in the areas upon which land improvement projects were implemented, in the irrigated areas, in the orchard and vineyard reserve, and in the zootechnical sector.

Intensified technical equipment of labor will also be maintained during the 1981-1985 period. The value of fixed capital per employed person will be up 45.5 percent from 1980 by the end of this five-year plan. Agriculture especially, as well as the transport and telecommunications sector, will show higher growth rates. This will lend the activity in those sectors an increasingly pronounced industrial character, along with the intensified technical equipment of industrial labor.

The qualitative aspects of modernization of the economic structure will be strongly characterized by intensified supply of high-performance machinery and equipment by means of progressive integration of precision machinery, electronics and computing equipment in the machinery and installation structure. Special emphasis will be placed upon development and use in production of highly productive types of machine tools with increased speeds and high precision and of some multipurpose machines and highly automated units that will produce increasingly high outputs in the manufacturing process and greater volumes of physical production while considerably reducing the inputs of fuels and electric power.

The increase in fixed capital in industry will enhance that sector's contribution to growth of the national income, once again confirming the high economic effectiveness of that sector. In 1985 industry will have about 59.5 percent of the total fixed productive capital and will contribute 62 percent to the formation of the national income. The greater effectiveness of the fixed capital in industry will provide over 20 percent of the entire planned gain in national income in 1985 compared with 1980. Agriculture will have about 13.5 percent of the total fixed productive capital but will contribute 12.8 percent to formation of the national income. At the end of the current five-year plan construction will have 4.9 percent of the total fixed productive capital and will contribute 7.6 percent to formation of the national income.

Of course efforts must be made in all sectors to provide for optimal use of fixed capital, especially if we consider that there are major unused reserves that must be intensively mobilized to obtain a greater gain in national income. Alongside structural improvements in the fixed productive capital (by way of increasing the proportion of technological machines and installations, modernizing the equipment in operation, etc.), emphasis is to be placed on activating the new production capacities by the planned deadlines and operating them at the planned parameters, loading the equipment properly according to shifts, shops and sections in close correlation with the physical production plan and the programs for collaboration and cooperation, reducing the number or duration of accidental stoppages of equipment in operation,

training the work force thoroughly, improving the shift coefficient, operating the machines, equipment and installations efficiently, maintaining and repairing them properly, etc. One impressive calculation indicates that in industry alone a 1 percent increase in the effectiveness of the fixed capital above the 1981 plan provisions is equivalent to a gain of about 3 billion lei in net output, which provides funds to pay about 40,000 people, over 250 million lei more for the workers profit-sharing fund, and funds to build over 15,000 apartments.

Modernization and Exploitation of Material Resources

Upon consideration of the main general aspects of the modernization-socioeconomic effectiveness correlation, we note some points characteristic of better use of the resources of raw materials, materials, fuels and energy. Now more than ever better use of those resources is causing many shifts in the economic structure, but it is furthered in turn by structural modernization of the national economy.

Of course the economic structure and its evolution are affected by a number of factors, among which the state of the raw material and energy base is highly important. As the natural factor is restricted and the natural environment deteriorates, creation of the least possible dependence of economic growth upon consumption of raw materials, fuels and energy and development of the intensive type of economy especially require a coordinated, simultaneous effort toward economic exploitation of more resources that regenerate themselves such as agricultural products, products of forests and waters, etc., identification of all natural resources useful to the economy and their application in production, intensified recovery of the useful content of raw material from its first extraction and processing, and recycling of the useful elements left unused in the first technological process.

On the basis of close analysis of Romania's potentials and the current and long-range requirements of its economy and in view of the new developments in the world economy (especially the effects of the energy and raw materials crisis), the current five-year plan places one of its main priorities upon more intensive development of the domestic base of raw materials and energy resources as well as agriculture, a sector that constitutes, as Nicolae Ceausescu pointed out at the Second Congress of Workers Councils, "the critical factor for Romania's socioeconomic development and for improvement of the people's material and cultural living standard." Accordingly the material resources for implementing the current five-year plan will have to be procured to a greater extent from internal sources, that is 82 percent of the input of primary energy, 90-98 percent of the requirements for coal, metallurgical coke, rolled products and pipes, 80-90 percent of the lead and zinc requirements, practically the whole aluminum requirement, and about 80-90 percent of the requirements for textile threads and fibers.

The intensive character of economic growth in this five-year plan is also indicated by the fact that the intensified modernization of the economic structure ensures better use of the material and energy resources. This is illustrated by a series of important qualitative correlations. Thus in the current period a 1 percent gain in the gross industrial output is to correspond to an average increase of 1.15 percent in the net industrial output. Meanwhile an average annual gain of only 5.1 percent in electric power production corresponds to an average annual increase of 7.6 percent in the gross industrial output, while the average annual growth rate of the output of the machine building industry will be 1.14 times higher than that of the metallurgical industry. All these correlations and others as well are based on

the major changes that will be made in the internal structures of the sectors by moderating the growth rates of the energy-intensive industries and by more intensive development of the sectors, subsectors and groups of products on a high technical level that consume less raw materials and energy, incorporate more complex and highly skilled labor, and make better use of the material and energy resources. This will increase the value created from the unit of processed raw material and further economic growth.

Of course some products can never be discontinued at all because the production structure is determined by the necessity of meeting the requirements of the national economy. The problem is to restrict and even replace the manufacture of products with a heavy input of material and energy resources and to modernize and diversify the varieties in each group of products to obtain the greatest possible value per unit of raw material.

In the light of these requirements and the considerably increased dependence of better use of the material and energy resources upon modernization of the economic structure, the current five-year plan sets different production growth rates not only for sectors but also for subsectors and products. In metallurgy, the main production gain will come from intensified processing. Emphasis will be placed on more rapid growth of the output of special, alloy and low-alloy steels and of cold-rolled, electrotechnical and tin-plated sheets and strips of rustproof refractory steel. In the machine building industry, according to the 47 special programs for products, the average annual growth rates will be 20 percent in electronics, about 18 percent in the precision and optical machinery industry and the hydraulic and pneumatic equipment industry, and 19 percent in the industry for machine tools for metal processing. It is accordingly a matter of subsectors and products with superior technical performances, lower energy inputs and high efficiency in operation. There are similar examples in other industrial sectors as well.

Intensive development and modernization of agriculture and a far-reaching revolution in that sector that will ensure better satisfaction of the consumer demands of the public and industry as well as increased and more efficient agricultural production are basic priorities of the current five-year plan.

Acceleration of the process of qualitative restructuring of the productive sectors and subsectors is combined with the extremely urgent requirement to reduce the material outlays and to improve the ratio between the portion allocated to recovery of the material outlays and the newly created value. To this end it is planned to decrease the proportion of the material outlays in the social product from 59.4 percent in 1980 to 57.4 percent in 1985 throughout the national economy, providing for a more rapid growth of the national income (net output) than that of the social (gross) product for the whole period in all sectors producing material goods. It is necessary and quite possible to attain the planned goal, especially if we consider that the inputs of materials and energy per unit of output are still high in many enterprises with advanced technical and technological inventories similar to those of some units in developed countries.

Modernization and National Income Per Employed Person

Greater effectiveness of social labor depends not only upon the material conditions of production but also upon the quality of the labor force, its structure according to occupations and level of qualification, and the structural modification of the

labor force according to sectors in favor of the sectors with high levels of social labor productivity. Changes in the structure according to sectors of the national economy, as well as shifts of the population employed in agriculture to the nonagricultural sectors and especially to industry also considerably affect growth of social labor productivity (national income per employed person). Since sectors differ in level of qualification of the labor force and in degree of its employment, the national income (net output) per employed person differs from one sector to another. Therefore the contributions of the various sectors of the national economy to the growth of the national income also differ.

The ratio between a sector's shares in the national income and in the total population employed in the productive area is a general indicator whereby the effectiveness of use of the labor force in the various sectors of material production can be evaluated both in the period of substantiating the plan and in the course of its execution.

The figures show that true qualitative leaps were made in redistribution of the employed population among sectors according to the objective requirements for modernizing the economy. Industry increased its share in the total population employed in the productive area from 12.7 percent in 1950 to about 38.3 percent in 1980, while agriculture decreased its share in the total population employed in the productive area from 78.8 to about 32.1 percent in the same period. Meanwhile the net output showed growth rates differentiated according to sectors of material production which changed their shares in formation of the national income.

The major role of industry in formation of the national income is clear from any point of view we might take. At the same time analysis reveals considerable reserves for growth of labor productivity in all sectors of the national economy and especially in construction and agriculture.

Naturally the level of labor productivity depends upon the quality of the labor force, its level of knowledge and training, and the effectiveness with which it is used. Therefore the measures for occupational training and improvement of the labor force so that education and the entire system of personnel training and retraining will meet the current requirements for Romania's socioeconomic development are of the greatest importance. And equally important are the measures for rational and efficient use of the labor force, including rationalization of the ratios among various sectors as regards their shares in the total employed population, proper assignment of working personnel to sectors, subsectors and every work place, improved standardization of labor, strengthened labor discipline, etc. This also applies to the requirement that every unit should take firm measures to increase the proportion of productive personnel, to qualify the auxiliary workers and to transfer them to productive jobs where material values and the national income are created.

Analysis of some of the main aspects of the subject treated here leads to the conclusion that the RCP's consistent promotion of the policy of modern restructuring of the economy and all its sectors organically combines the criteria for economic effectiveness with the social criteria. Surely if the aims and tasks of the extensive process of modernizing the economy are to be accomplished, we have the high obligation to act on behalf of a new and better quality in all socioeconomic activity and to place a particular emphasis upon the intensive factors of economic growth, among which full and efficient use of fixed capital, continuing improvement of the technical and qualitative standards of production, better use of material and energy resources, and increased labor productivity play a predominant part. The qualitative leap in Romania's socioeconomic development to be made by this five-year plan ultimately depends upon the quality of everyone's work.

ELECTRIC POWER PRODUCTION IN REPUBLICS, PROVINCES

Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 14 Dec 81 pp 21-23

[Text] The areas most threatened are being patched up every day with electric power imported from Italy, Austria, Hungary, Greece, Romania and Albania. Maximum amounts are being imported, as much as the neighboring countries can furnish and the transmission lines can carry, regardless of whether the power will later be returned or paid for. A study is being made of the possibility of importing power from Switzerland, France and other countries. Right at present 15 million kilowatt-hours are being imported daily, but the reductions are becoming larger and larger.

Another indication of the seriousness of the electric power situation in the country is to be found in the recent communique from the meeting of the Federal Executive Council--the third in the last few months. The situation is changing every day, so we have taken one day last week as an illustration. Consumption was 195 kilowatt-hours, the reductions amounted to 10 million kilowatt-hours daily. Under normal conditions, then, without the reductions and other measures, daily consumption would have exceeded 200 million kilowatt-hours. The improved weather conditions and the high temperatures for this time of year have been favorable to the electric power industry. Otherwise consumption would have been still higher, since every degree the temperature drops now means an increase of 2.6 million kilowatt-hours in consumption. Actually the reductions would increase, since production is inadequate even for the present level of consumption.

Steam power plants burning coal are operating at maximum level (except for the fourth generating unit in Obrenovac, which will go on line in a few days) and are generating 86 million kilowatt-hours daily. There is a danger of a drop in the production of these steam power plants either because of breakdowns or impeded coal delivery, especially when the weather gets worse. There is no question whatsoever of larger output. Steam plants burning liquid fuel, which now have an installed capacity of 1,700 megawatts, are mainly standing idle because of the shortage of heavy fuel oil. The Sisak Thermal Electric Power Plant is running at half capacity, and its stocks of heavy fuel oil are running low, the Zagreb Heating and Power Plant is producing a certain amount of electric power, but all the others are idle. The total daily contribution of these power plants is less than 10 million kilowatt-hours. Run-of-river hydroplants are generating 40 million kilowatt-hours daily, since until the recent amounts of precipitation

inflows were disastrously low. The situation is not the same in all watersheds, but the inflows are by and large small where run-of-river power plants have been built.

Altogether, output last week was 40 million kilowatt-hours instead of the average 90 million kilowatt-hours per day. The situation has improved this week, the inflows are larger, but it is uncertain how long this will last. Since storage reservoirs were at a critically low level, the risk could not be run of taking more than 30-35 million kilowatt-hours per day. The risk is a very real one: assuming thrift in use of storage reservoirs, the electric power system can maintain itself only with larger reductions of consumption, since if they are emptied at a faster rate, the system could break down in just a few days.

Where Do the Causes Lie?

Taking the country as a whole, it is not difficult to ascertain why there is not enough electric power and why the situation is so serious. Organizations in the electric power industry simply do not have enough facilities or installed capacity in power plants to generate the amounts of power necessary. It is true that the fall was unfavorable from the hydrological standpoint, but the year as a whole is even better than average. The electric power budget for this year ascertained a shortage of about 1,000 megawatts of installed plant capacity, offset by the expectation that new facilities with a capacity of 2,000 megawatts would go on line. By October only 4 percent of the anticipated capacity had gone on line, and the startup of the nuclear power plant, the Novi Sad Heat and Power Plant and the Bocac Hydroplant cannot bring about an essential change in the situation: Krsko is being tested, it has been out of operation for a month, and it can be used at only half power; the Novi Sad Heat and Power Plant has been completed, but there is no oil for its trial operation; and the Bocac Hydroplant is a small one and is only in the stage of synchronizing its installations.

Incidentally, electric power organizations would today have an additional 4,360 megawatts of installed capacity if the construction programs for the previous 5-year period had been fulfilled. Facilities which did not go into operation amounted to 2,360 megawatts last year and 2,000 megawatts this year. With the power from those power plants, we would today be sizable exporters of power. It should be said, however, that an examination of the situation of the electric power industry for the country as a whole serves no purpose--electric power organizations are organized by republics and provinces, which are independent entities as far as energy economics is concerned, so that only an individual analysis can give the true picture. In any case, the situation is not the same from one republic or province to the other. Delays in construction of new facilities are the principal cause of the shortage of electric power, but neither should we neglect the status, economic position and organization [of the electric power industry]--or, more accurately, relations between electric power organizations and consumers.

Almost all elements of economy have been discarded from the electric power industry both in current operation and also in expanded reproduction. From investments to rates everything has been subordinated to the regional conception

of the obligation to "turnish power," and less importance is paid to the kind of facility being built and to how much it costs, but the primary thing is that it be on "our own" soil and under "our own" control. Given those relationships, rates have lost all economic sense, and an ever greater number of electric power organizations are operating at a loss. The share of electric power organizations in their own investments have dropped to a token proportion (averaging between 3 and 5 percent), so there is no reason to be amazed that all the projects are several years late and that the estimated cost of the investment project has tripled.

These relationships and this kind of divisiveness have led to a situation where the most abundant and economical sources of energy are being left unexploited, or have barely been touched, while very expensive and unwise projects are being built. The Yugoslav commitment to use domestic sources of energy first has remained an empty declaration--power plants to use imported fuels are still being built. It appears to be no one's concern or responsibility that they are now standing idle like the capital they represent, while the economy and the public are suffering losses because of the power shortage. The abandoned economic considerations have been replaced by surrogates, governmental and quasi-governmental. When there is no interest in expanded reproduction and current business operation, taxes and contributions are introduced to collect funds for investment; when rates are below the economic level, losses are covered. It is difficult to speak of the socioeconomic system of self-management not only with respect to the electric power industry, but also concerning relations between electric power organizations and consumers.

How Do People Stand?

A survey of the current electric power situation by republics and provinces can be compared even in compressed form with fulfillment of the construction program covering the previous 5 years. For the country as a whole 9,490 megawatts of installed capacity were supposed to be built and put on line. Actual installed capacity of new plants, however, amounted to only 4,712 megawatts, or half of what was planned.

Bosnia-Hercegovina is now enforcing rather extensive restrictions on consumption, the third level of reductions has been introduced, and some consumers are being cut off 6 to 8 hours a day. The growth of consumption is large, inflows of water are incredibly small (as little as 20 percent of normal), and storage reservoirs are critically low. Three hydroplants, Salakovac, Grabovica and Bocac, should already have been on line, but they are quite a bit behind schedule. Bocac on the Vrbas recently started up, and by the end of the year two others on the Neretva are supposed to go on line. Over the last 5 years 41 percent of the projects planned have been completed.

With the startup of the second phase of the aluminum combine, the demand for power has increased considerably in Montenegro, but new facilities are late. Reservoirs at two hydroplants are almost empty, inflows of water are very small, just as in the case of Bosnia-Hercegovina, and the third-level reductions have been adopted. A large portion of the demand is being met with imports. Construction amounted to 69 percent of the projects called for by the last plan.

Reservoirs in Croatia are disastrously low, some hydroplants have been left without head, inflows of water are low, and oil-fired steam plants are mainly standing idle without fuel. All hopes have been turned toward the Krsko Nuclear Plant, but at half capacity, which is all the load it can take at present, it cannot alter the situation to any considerable extent. Reductions have long been in effect. Over the past 5 years 73 percent of the planned capacity was built, which is the highest level among all the republics and provinces (the trouble is that most of them are oil-fired plants).

Macedonia is in the most serious situation at the moment: The fifth level of reductions has been put into effect, which means that about 8 million kilowatt-hours can be furnished daily to meet the total demand for 16 million kilowatt-hours. The Oslomej Steam Plant was shut down back on 15 February because of the shortage of oil, the Bitola Steam Plant is behind schedule, and it is not certain that it will go into operation even next year. Storage reservoirs are very low. Actual construction amounted to 41 percent of the plan for the last 5-year period.

Conservation measures and restrictions have been in effect throughout the entire year in Slovenia. To be more precise, electric power organizations have organized courses for consumers in efficient use of electric power so that no one is taking more power than agreed on in advance. The situation is strained, but one reason why there have been no major consequences is that consideration has at the same time been given to supplying consumers other forms of energy (coal, liquid fuels, and gas), so that there is no pronounced pressure on the electric power industry, as is the case with others. Fulfillment of the plan for construction of power facilities over the last 5 years was 58 percent, but it is expected that the situation will return to normal when the Krsko Nuclear Plant goes on line.

Consumption in Serbia proper has recorded hardly any growth thanks to the organized campaign; steam plants are running at full capacity, inflows of water on the Danube have been exceptionally good, though they have not been so good for other hydroplants. It is expected that the covered generating unit in Obrenovac will go on line, but the situation is uncertain because of a possible growth of consumption and the strained operation of steam plants. Actual construction amounted to 60 percent of the projects covered by the plan for the last 5 years.

Vojvodina has no generating facilities, and the first heat and power plant, in Novi Sad, has gone into trial operation behind schedule (oil is the trouble, much as elsewhere). Of the planned 290 megawatts of new construction, nothing was completed during the past 5 years. Nor has Kosovo completed anything covered by the plan, though completion of new plants with a capacity of 884 megawatts was anticipated. Power plants built previously, though they are having occasional difficulties in operation and in the supply of coal, are meeting the rather low demand, but they cannot fulfill the obligations represented by deliveries to other regions.

PROBLEMS IN FOOD PRODUCTION PLANNING TO 1985

Belgrade EKONOMSKA POLITIKA in Serbo-Croatian 14 Dec 81 pp 16-18

[Text] According to the letter of the "third section" of the Yugoslav Social Plan Covering the Period From 1981 to 1985, by the end of this year a social compact is to be concluded on implementing the policy governing development of the agroindustrial complex (the "green plan"), the proposed version of which was adopted by the Federal Executive Council [SIV] back on 9 July of this year. According to the situation brought to light by the debate in the Federal Council for Economic Development and Economic Policy on 11 November, there are quite a few points in that text which need to be "filled in," that is, passages and views on which consensus is yet to be reached among those participating in adoption of the agreement. Aside from the SIV and the executive councils of the republics and provinces, they are the Yugoslav Economic Chamber, the Council of Yugoslav Trade Unions, and 10 other associations representing agriculture and the food manufacturing industry, cooperatives, the chemical, metal manufacturing, and tobacco industries, water management, trade and cities and opstinas as consumers, and finally, those who are supposed to represent the general public interest in the export of food (the Yugoslav Self-Managing Community for Foreign Economic Relations) and the interest in appropriate relations in the domain of prices of raw and processed foods (the relevant Federal Community for Price Affairs).

This is already the third such document. And had there been no experience with the previous two, whose implementation has been judged unsuccessful, the fact that reconciliation of views has stretched now into the beginning of the first year of the planning period which it "covers" could only confirm the saying that experience teaches us that experience has taught us nothing. But being behind schedule on the calendar is surely the smaller part of the trouble. The rest can certainly be found in the excessively long list of signatories to the agreement, which inevitably will be the source not only for the general conditions for conduct of economic activity by more than 3 million farmers and production workers involved in food production and trade in coming years, but also the source of concrete commitments.

Engineer Milovan Zidar, chairman of the Federal Committee for Agriculture, has cautioned participants in the debate within that federal council that it is in the interest of associated labor to have this agreement adopted even before the deadline so that certain solutions and measures might be put into effect in the

coming year. But the resolution of a presentation of the Federal Committee for Agriculture on the same occasion also contains some doubt: "How are organizations of associated labor and agricultural cooperatives in the republics and provinces to assume obligations related to the budgets when they have not been actual participants in conclusion of the agreement...." There is no doubt that this is only a mild expression of the real problem: the conditions for the conduct of economic activity bearing the strong imprint of political haggling and guidance, and the position of associated labor and of private farmers in food production and trade.

Budgeting as a Restriction

The "goals and tasks" in the field of food production and trade in coming years, as set forth in the proposed "green plan," are indicated in the briefest form in the output which is to be achieved in 1985 (Tables 1 and 2), while the adjusted food consumption budgets of the republics and provinces adopted in midyear for the coming year and export program are supposed to be the "initial bases" of these projections. As for the consumption budgets, the only thing certain is that they do not exist for next year, and as for exports, during preparation of the social plan the only thing established was the ambition of reaching a level of \$2 billion in 1985.

There are authors who express serious doubt that the projected production will be sufficient for that level of exports (even when indicated at the rate of exchange of 27.30 dinars, as official statistics are still doing), and they recommend a "more ambitious plan" and "more aggressive exporting," especially of grains and meat. According to calculations of the Foreign Trade Institute, the goal should be a harvest of between 22 and 24 million tons of grain (at least 7 million tons of wheat and 15 million tons of corn), since that export target is unattainable without exporting 2 million tons of wheat (assuming the necessary economy and consumption) and 3 million tons of corn, and the meat export target cannot be achieved without producing a total of 1.7 million tons, along with a similar growth in the production and export of fruit, wine, vegetables and miscellaneous raw and processed foods.

Of course, even in the case of food production, whose growth is sometimes viewed almost as if it was just a matter of good organization in the use of natural resources, including the manpower of private farmers, rather than as a problem of a high level of thrift, the issue of dependence on imports cannot be evaded, nor the time limit on achieving that kind of growth. But without conceding any of these variants, nor yet disputing them, it must be said that the quantifications themselves are not the only weak point, nor the weakest point either in this "green plan," nor in the previous two, nor, incidentally, in the overall farm policy that has been conducted up to now. Actually it is the method itself used in quantification--in budgeting "needs" (consumption, exports) as the "basis for agreement on the food production program" and for "specific statement of obligations with respect to carrying out the established 5-year budgets," as it was put by the chairman of the Federal Committee for Agriculture. On the basis of those budgets, he says, the republics and autonomous provinces will take steps and undertake other activities within the framework of their obligations and responsibilities to stimulate organizations of associated labor and other

interested organizations and communities to achieve a volume of production of agricultural products and foodstuffs to satisfy the public's need for food, to furnish raw materials for processing facilities, to build up reserves, and to increase production for export.

There is no doubt that in large part this also predetermines the conditions and indeed the relations involved in achievement or reproduction of the planned output. The "joint goals and tasks" of the participants in conclusion of the agreement, among which government agencies, of course, occupy the decisive position, are actually a set of individual "goals and tasks" of each sociopolitical community: to achieve maximum self-sufficiency with respect to supplying its own population and meeting consumption as a whole and to have the weakest possible links with other communities in reproduction. Instead of an effort to open up the entire space of the unified market to production, and to develop that market, it is, on the contrary, becoming narrower and more fragmented, so that flows of goods are restricted, as indeed are opportunities for economic competition, which is so important in the food sector. Only a small portion of what can be produced within a region will remain as space for exchange among the republics. There is no essential difference whether that trade takes the form of ordinary barter, the credit financing of production by a "known customer" or "joint ventures aimed at joint income," which, incidentally, is what the participants in the agreement are suggesting to one another. It is no wonder that there has been hardly any of this latter; nor does it exist within the limits of the individual communities themselves, since the goal of selection and of production is not income earned under the optimum economic conditions, but food-budget emancipation, that is, the foreign exchange preoccupation of the various republics and provinces, in which economy and concrete economic interests and motivation are taking second place. There is hardly any need to emphasize that the needed space does not exist on this fragmented, cramped and undeveloped market, nor are there real opportunities for setting aside the capital required for the scale of production that corresponds to the export ambitions that have been described.

Table 1. Production of Grains and Industrial Crops in 1980 and 1985, according to the proposed version of the agreement

Republics and Provinces	Wheat		Corn		Sugar Beets	
	1980	1985	1980	1985	1980	1985
Bosnia-Hercegovina	318	550	491	1,000	59	320
Montenegro	8	15	13	15	--	--
Croatia	1,120	1,150	1,960	2,600	959	1,845
Macedonia	273	355	88	150	74	250
Slovenia	159	180	214	300	123	325
Serbia proper	1,283	1,570	2,363	3,200	349	1,300
Kosovo	216	310	184	345	35	160
Vojvodina	1,714	1,850	4,004	4,400	3,614	5,200
Total of republics and provinces	5,091	6,380	9,317	12,010	5,213	9,400

Table 1 (continued)

<u>Republics and Provinces</u>	<u>Sunflowers</u>		<u>Soybeans</u>		<u>Tobacco</u>	
	<u>1980</u>	<u>1985</u>	<u>1980</u>	<u>1985</u>	<u>1980</u>	<u>1985</u>
Bosnia-Hercegovina	1	12	0.6	12	7	12
Montenegro	--	--	--	--	1	--
Croatia	19	72	2.5	--	15	15
Macedonia	23	38	--	--	23	36
Slovenia	--	--	--	--	--	--
Serbia proper	25	60	2.7	10	5	9
Kosovo	5	12	--	--	2	4
Vojvodina	229	600	28	110	4	7
Total of republics and provinces	302	797	34	132	57	84

Table 2. Meat and Wool Production in 1980 and 1985, live weight gain according to the proposed version of the agreement, in thousands of tons

<u>Republics and Provinces</u>	<u>Beef</u>		<u>Pork</u>		<u>Lamb and Mutton</u>		<u>All Types of Meat</u>		<u>Wool</u>	
	<u>1980</u>	<u>1985</u>	<u>1980</u>	<u>1985</u>	<u>1980</u>	<u>1985</u>	<u>1980</u>	<u>1985</u>	<u>1980</u>	<u>1985</u>
Bosnia-Hercegovina	45	52	41	50	12	16	121	--	1.8	2.0
Montenegro	5	9	3	5	5	7	14	--	0.7	1.0
Croatia	75	99	124	167	6	10	288	--	0.7	1.0
Macedonia	11	17	8	15	9	16	36	--	2.5	2.8
Slovenia	41	59	39	58	0	1	146	--	0.1	--
Serbia proper	107	132	119	151	19	22	290	--	3.1	3.4
Kosovo	11	17	4	6	4	5	26	--	0.4	0.5
Vojvodina	40	50	122	235	2	7	207	--	0.7	1.0
Total of republics and provinces	335	435	461	687	58	79	1,128	1,500	10.0	11.7

Note: The column headed "All Types of Meat" includes poultry meat (Table 3) and horse meat and viscera. The draft of the agreement does not contain a breakdown by republics and provinces for 1985.

Table 3. Production of Poultry Meat by Republics in 1980, in thousands of tons

<u>Republics</u>	<u>Republics</u>
Bosnia-Hercegovina	23
Montenegro	1
Croatia	83
Macedonia	8
Slovenia	66
Serbia proper	45
Kosovo	7
Vojvodina	43
Total	276

Prices of a Sticking Point

Among the "outstanding questions" pertaining to the future agreement prices occupy an important place, and here again those same autarkic concepts are

manifested. Agreement, it seems, is complete only in that the law affords the possibility of establishing "separate forms" of prices of farm products, so that--as stated in one presentation of the federal committee--"all the views on prices referred to could find a place in the final version of the social agreement"--though many are "mutually exclusive."

This has to do, first of all, with producers' sales prices and support prices of the principal agricultural products, that is, with the functions which they are supposed to have and the method whereby those functions would be achieved. In dispute is the way in which the entire price system for farm products is to be administered, that is, the "development component" of those products which are of "particular social interest" (wheat and corn). According to some people, this ought to be the subject of a specific social compact covering all products, while the "green plan" would furnish only the "basic commitments" and would only establish the principle of "indexing" the prices of farm products. Also in dispute is the extent to which "price parities should be honored" and what criteria should be used beyond (or past) "parity income," as well as the question of whether these prices should be "firm" or "reference prices" for the pricing of the products of processing. As for support prices, it is thought by some that they should not be established in advance for all products, but only when the need arises for intervention on the market. According to others, this is contrary to the commitment contained in the social plan and to the basic purpose of support prices.

It may be clear even to an altogether uninformed observer that views which are opposed in this way are based exclusively on political motivations and the yardsticks applied by representatives of sociopolitical communities whose degree of self-sufficiency or "import" dependency varies. The same differences are also manifested in views on the question of whether development can be achieved through the "development component" in prices, or whether separate "special premiums" in wholesale prices are needed to stimulate the production of wheat and corn. Going further, opinions have remained divided on whether the funds for that should be furnished in the budgets of sociopolitical communities "on the principle of consumption," and then pooled in a joint fund of the republics and provinces, or set aside "in accordance with the needs established in the budgets" of the various republics and provinces, which they would themselves pay to their own respective organizations as an incentive for their own production, that is, to finance the production of those crops in other regions.

The same dilemmas exist concerning the additional incentives for the other basic agricultural products "in the less developed, above all mountain and hilly, regions, the border regions and the islands." Most feel that this incentive should be furnished by adopting "additional rebates on inputs by introducing premiums, tax deductions and other economic policy measures of the republics and autonomous provinces." On the other hand, the dilemma arises as to whether the 14-percent rebate on the average price of manufactured fertilizers which has been called for in one amendment should be covered by contributions of the republics and provinces in proportion to their share in consumption of food or according to their contribution to the federal budget.

In the month which has passed since these dilemmas arose, some of them have probably been settled. But not the basic one which arises out of this forest of variants: Can this kind of juggling of cost structures and incentives for particular types of production from the standpoint of the "budget motivation" of this or that republic or province or of all together replace the true incentive and motivation of any production operation: the economic and market incentive? That is, can this be the basis of successful reproduction, of structural orientation and of technical, technological and economic development of food production that in coming years will furnish a new thrust to the development of agriculture? The answer is to be found in the proposed version of the "green plan" itself: No, it can't. That is why it envisages as a decisive element in expanded reproduction "additional funds" (103 billion in one version and 120 billion dinars in another)--along with those same assumptions and dilemmas, of course.

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CSO: 2800/172

PARTY WEEKLY DEPLORES YUGOSLAV VACATIONERS IN FLORIDA

Belgrade KOMUNIST in Serbo-Croatian 8 Jan 82 p 4

[Excerpt] You have already heard the news: about 400 Yugoslavs are "interested" in buying a vacation site in Florida. Contracts with the American firm (whose representative is one of our countrymen) will soon be concluded, so we will know how many of our citizens will fulfill their dream. Their names remain--secret. Such are the rules of "business." Discretion guaranteed.

Why are the names important?

Simply because only "those interested" can answer the question: How has so much money been acquired if the self-management socialist principles of our society have been respected? If the funds were earned by working, a new question arises: Why Florida and not one of our islands, or Peljesac, the Boka [Kotoraska area], the Slovenian coast? Florida is not cheap. For most of our working people even our coast is not affordable.

Who are these citizens, these "weekenders" in Florida? Obviously, some people who do not feel "a real decline in the standard of living" and are living an easy life at a time when most workers in our country are denying themselves many things in fighting for stabilization.

This occurrence is not only politically interesting because, under the guise of pluralism of self-management interests, all are not sharing the fate of the working class. Their principle of "discretion guaranteed" is also curious. Does this not impose on us rules of the "business" game which we are nipping in the bud in our society?

This is not a plea to eliminate the differences which exist in labor invested, nor to eliminate the commission for examining the origin of property (although we have not found a more effective way for their elimination in accordance with the [development of the] system), but, rather, this points to one example which strengthens the belief among people that in our country, despite everything, great wealth is possible. But behind wealth there always exists work of a specific kind. Whose? The work of the person who is rich or the work of the person working for him?

CSO: 2800/187

PROBLEMS WITH DEVELOPING STEEL PRODUCTION VIEWED

Belgrade PRIVREDNI PREGLED in Serbo-Croatian 9-11 Jan 82 p 2

[Excerpts] Yugoslavia produces barely 3.7 million tons of steel [a year] and thus ranks near the bottom of the list of European producers. At present there are two variant plans for developing this area in the current medium-term plan. The first version is more modest, more justified, and more possible. According to it, coke production would increase 27 percent, iron ore production 130 percent, iron 46 percent, and semi-finished steel by 80 percent. This would make possible the consumption of about 6.1 million tons of finished steel products. This shows a quite modest average annual rate of increase.

We now import all the coking coal needed for steel production and at least 25 percent (about .5 million tons) of steel scrap. The fact that we are producing 28 percent of our steel by the electric process (and this percentage is increasing) has forced us to increase imports of scrap. Of course, the situation in steel production would be entirely different if we had hard coal, because without coking coal there is no steel or steel products. According to this modest version of the plan, the consumption of coking coal would increase a little less than 8 percent in 1982 compared to 1981 (according to the maximum version of the plan, it would increase about 20 percent, which is less possible, since investments for completing capacities which have been started are rapidly diminishing).

Efforts are being made to replace imported coal with domestically-produced semi-coke which has been used with some success in some of our ironworks. All the above assumptions are, however, based on results achieved in ferrous metallurgy in 1980, because final figures for operations in 1981 are not yet available.

We must face the fact that the iron content in our ore has also declined somewhat from year to year. This raises the question of large investments for ore mines which brings into question finally the profitability of producing steel and steel products. We have to import about 2 million tons of iron ore or about 30 percent of our total needs. We can import better ore more cheaply, except that this requires foreign exchange. Ore production should be increased about 30 percent if we want to produce corresponding amounts of iron and steel. Under the circumstances, this will certainly not be easy.

Also needed up to 1985 are investments in metallurgical capacities totaling about 144 billion dinars. The structure of operating funds in ferrous metallurgy are not such that, even with good operation, optimal capital accumulation would be guaranteed. The high level of indebtedness to foreign and domestic creditors seriously threatens the rate of reproduction. Of special concern is the high share of foreign loans which in the basic part of the industry have climbed above the one-half mark, or considerably more than the average indebtedness of the domestic economy.

CSO: 2800/187

YUGOSLAVIA

BRIEFS

ARREST FOR FLORIDA INVESTMENT ADS--The author of the announcement that 1,000 square meter sites are for sale for \$4,500 at Cape Coral on the Gulf of Mexico in the southwestern part of Florida is in prison. The Secretariat for Internal Affairs of Skopje uncovered the speculations of Skopje citizen Slobodan Spirovski (36), innkeeper temporarily employed in Sweden, who "offered sites" through newspaper advertisements, thus wanting to earn money in this easy way. Charges have been brought against him. Todor Kirovski, inter-opstina magistrate judge in Skopje, sentenced the accused to 30 days in prison for violations against public peace and order and for spreading false information. It was established in the investigation that the accused had no documents from a firm or an individual empowering him to sell building sites, nor did he even possess official documentation on these sites. In addition to the above, Spirovski is charged with violating the law on trade of goods and services with foreign countries and the regulation on representing foreign firms. [Excerpt] [Belgrade BORBA in Serbo-Croatian 15 Jan 82 p 7]

ADVANCED SCHOOL CUTS IN SERBIA--The advanced school network in Serbia (not including the provinces) will soon be reduced by 30 percent. Schools will be "weeded out" which are training surplus cadres; some related educational facilities will be merged, while many which duplicate the work of others will be eliminated. (There are as many as five schools in Belgrade which provide hotel training). These radical cuts in the advanced educational structure are part of the policy to cut funds for general public and common needs. It is certain that the social sectors, thus also advanced schools and faculties, will have to tighten their belts this year and in the following years. For years, namely, there has been an increasing inflow of highly trained young people, largely [trained for employment] outside the production sectors, who have become the largest category of unemployed. Most of the approximately 262,000 who are seeking work in Serbia are young people. The annual number of new jobs, namely, 67,000, is 12,000 less than the number of new school graduates [entering the labor market each year]; and the conditions for employment will be no better this year. Because of the reduction of investments and other economic stabilization measures, the employment rate will increase by only about 2 percent. The school system will have to adjust to the needs of associated labor, it was recently said at a meeting of the Serbian executive council. At the same time students who choose training for production work will have preference in regard to credits and stipends, as well as rooms in student centers. The first steps have already been taken. This year 22 percent fewer students are enrolled at faculties and an increased number are electing to attend secondary [profession-] oriented schools. [Excerpt] [Belgrade BORBA in Serbo-Croatian 17 Jan 82 p 4]

SHIPBUILDING IN 1981--Last year was very successful for our shipbuilders; not one shipyard registered a loss, although in the last few years this was a regular phenomenon. Although the annual balance sheet has not yet been completed, it can be said that Yugoslav shipyards last year built, as planned, \$230 million worth of vessels for the foreign market. The "Uljanik" shipyard in Pula held first place with eight ships; the "Split" shipyard built six ships, including two tankers for transporting chemicals with a carrying capacity of 26,300 tons each. The "Treci maj" shipyard in Rijeka also completed six ships. In 1982 Yugoslav shipyards have contracts to build more than \$400 million worth of ships, most for the convertible-currency area; this is a total of 16 ships but the tonnage is considerably more than that built and delivered in 1981. [Excerpts] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 7 Jan 82 p 1]

SHIP EXPORTS--Last year of the approximately \$250 million worth of ships exported by Yugoslav shipyards, \$242 million were for buyers from the convertible-currency area. Also last year, our shipbuilders concluded contracts to build 21 ships which will be delivered by the end of 1983. Of these, 16 are domestic orders. Final negotiations with foreign buyers are underway, so full employment for our shipyards should be assured. It is also realistic to expect optimum utilization of our shipyard capacities for this and the next 3 years. In the last medium-term plan Yugoslav shipyards exported over \$1.55 billion worth of ships. [Excerpt] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 8 Jan 82 p 1]

RAILROAD TRANSPORT--A total of almost 78.8 million tons of freight was transported by the Yugoslav railroads in 1981 which is 1.8 percent more than in the previous year but 1.5 million tons below the plan. Although the plan was not fulfilled, one should not be entirely dissatisfied, because equipment is old and the railroads have lagged behind in development. There are realistic prospects for providing about 33-1/2 billion dinars by the middle of this decade to purchase 100 electric locomotives, 54 diesel and switching locomotives, 24 electric-motorized and 46 diesel trains, as well as 13,100 freight and 600 passenger cars. One-half of the passenger cars will be capable of speeds up to 160 kilometers an hour, while the other half will have speeds up to 200 kilometers an hour. These faster cars are earmarked for international trains. [Excerpts] [Belgrade PRIVREDNI PREGLED in Serbo-Croatian 7 Jan 82 p 12]

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